

OLIN CORP

FORM 10-K (Annual Report)

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Address	OLIN CORP 190 CARONDELET PLAZA SUITE 1530 CLAYTON, MO 63105
Telephone	3144801400
CIK	0000074303
Symbol	OLN
SIC Code	2800 - Chemicals & Allied Products
Industry	Commodity Chemicals
Sector	Basic Materials
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-1070

OLIN CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)
501 Merritt 7, P.O. Box 4500, Norwalk, CT
(Address of principal executive offices)

13-1872319
(I.R.S. Employer Identification No.)
06856-4500
(Zip code)

Registrant's telephone number, including area code: (203) 750-3000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1 per share	New York Stock Exchange Chicago Stock Exchange Pacific Exchange, Inc.
Series A Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange Pacific Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ 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. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

As of June 28, 2002, (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of registrant's common stock, par value \$1 per share held by non-affiliates of registrant was approximately \$1,034,054,219.

As of February 28, 2003, 57,789,087 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference in this Form 10-K as indicated herein:

<u>Document</u>	<u>Part of 10-K into which incorporated</u>
Proxy Statement relating to Olin's 2003 Annual Meeting of Shareholders	Part III

PART I

Item 1. BUSINESS

GENERAL

Olin Corporation is a Virginia corporation, incorporated in 1892, having its principal executive offices in Norwalk, Connecticut. We are a manufacturer concentrated in three business segments: Chlor Alkali Products, Metals and Winchester[®]. Chlor Alkali Products manufactures chlorine and caustic soda, sodium hydrosulfite, hydrochloric acid and bleach products, which represent 25% of 2002 sales. Metals products, which represent 53% of 2002 sales, include copper and copper alloy sheet, strip, foil, rod, welded tube, fabricated parts, metal packages and stainless steel and aluminum strip. Winchester products, which represent 22% of 2002 sales, include sporting ammunition, canister powder, reloading components, small caliber military ammunition and industrial cartridges.

We maintain an Internet website at <http://www.olin.com>. Our reports on Form 10-K, Form 10-Q, and Form 8-K, as well as amendments to those reports, are available free of charge on our website, as soon as reasonably practicable after we file the reports with the Securities and Exchange Commission.

PRODUCTS, SERVICES AND STRATEGIES

Chlor Alkali Products

Products and Services

We have been involved in the U.S. chlor alkali industry for more than 100 years and are a major participant in the U.S. chlor alkali market. Chlorine and caustic soda are co-produced commercially primarily by the electrolysis of salt. These co-products are produced simultaneously, and in a fixed ratio of 1.0 ton of chlorine to 1.1 tons of caustic soda. The industry refers to this as an Electrochemical Unit or ECU. With a demonstrated capacity as of the end of 2002 of 1.15 million ECUs per year, including 50% of the production from our partnership with PolyOne Corporation, which we refer to as our Sunbelt joint venture, we are the fourth largest chlor alkali producer in the United States, according to data from Chemical Market Associates, Inc. (CMAI). CMAI is a global petrochemical, plastics and fibers consulting firm established in 1979. According to CMAI data, we are the largest producer measured by production volume of chlorine and caustic soda in the eastern United States, with facilities located in McIntosh, Alabama, Charleston, Tennessee, Augusta, Georgia, and Niagara Falls, New York. Since transportation costs can be a significant part of the final cost of the product to the customer, our close proximity to our caustic customers is an advantage. Approximately two-thirds of our caustic soda production is high purity membrane and rayon grade, which according to CMAI data, normally commands a premium selling price in the market.

Our manufacturing facilities in Augusta, McIntosh, Charleston, and a portion of our facility in Niagara Falls are ISO 9002 certified. ISO 9000 (which includes ISO 9001 and ISO 9002) and ISO 14000 (which includes ISO 14001) are sets of related international standards on quality assurance and environmental management developed by the International Organization for Standardization to help companies effectively document the quality and environmental management system elements to be implemented to maintain effective quality and environmental management systems. All four of these manufacturing facilities have also achieved Star status in the Voluntary Protection Program (VPP) of the Occupational Safety and Health Administration (OSHA). OSHA's VPP is a program in which companies voluntarily participate that recognizes facilities for their exemplary safety and health programs.

Chlorine is used as a raw material in the production of thousands of products, but a significant portion of U.S. chlorine production is consumed in the manufacture of ethylene dichloride, or EDC, a precursor for polyvinyl chloride, or PVC. PVC is a plastic used in applications such as vinyl siding, plumbing and automotive parts. Other U.S. end-uses for chlorine include chlorinated intermediates, isocyanates and water treatment. While much of the chlorine produced in the U.S. is consumed by the producing company to make downstream products, we sell most of the chlorine we produce to third parties in the merchant market.

Caustic soda has a wide variety of end use applications, the largest of which is in the pulp and paper industry. Caustic soda is also used in the production of detergents and soaps, alumina and a variety of other inorganic and organic chemicals.

The chlor alkali industry is cyclical, both as a result of changes in demand for each of the co-products and as a result of the large increments in which new capacity is added. Because chlorine and caustic are produced in a fixed ratio, the supply of one product can be constrained both by the physical capacity of the production facilities and/or by the ability to sell the co-product. Prices for both products respond rapidly to changes in supply and demand. Prices bottomed out in the second quarter of 2002 at approximately \$200 and then increased through the end of 2002. In the period 1991-2002, average ECU prices as reported by CMAI have been in excess of approximately \$425 and as low as approximately \$150.

Electricity and salt are the major purchased raw materials for our Chlor Alkali Products segment. Raw materials represent approximately 50% of the total cost of producing an ECU. Electricity is the single largest raw material component in the production of chlor alkali products. Our electricity costs have been stable over the last ten years because we are supplied by utilities that primarily utilize coal, hydroelectric and nuclear power and have relatively minor exposure to natural gas. We have contracts which are based on large non-seasonal usage. The majority of the salt used in our Chlor Alkali Products segment is produced from internal resources but we do purchase salt on the merchant market. We have contracts for our purchased salt, which are also based on large non-peak demand usage. The commodity nature of this industry places an added emphasis on cost management and we believe that we have managed our manufacturing costs in a manner that makes us one of the low cost producers in the industry. In addition, as market demand grows in the future, the design of the Sunbelt joint venture plant will enable us to expand capacity cost-effectively.

We also manufacture a small volume of chlor alkali-related products and we recently invested in capacity and product upgrades in these areas. These products include chemically processed salt, hydrochloric acid, sodium hypochlorite and hydrogen. We also sell sodium hydrosulfite to paper, textile and clay bleaching customers.

The following table lists products of our Chlor Alkali Products business, with principal products on the basis of annual sales highlighted in bold face.

<i>Products & Services</i>	<i>Major End Uses</i>	<i>Plants & Facilities</i>	<i>Major Raw Materials & Components for Products/Services</i>
Chlorine/caustic soda	Pulp & paper processing, chemical manufacturing, water purification, manufacture of vinyl chloride, bleach, swimming pool chemicals & urethane chemicals	Augusta, GA Charleston, TN McIntosh, AL Niagara Falls, NY	salt, electricity
Sodium hydrosulfite	Paper, textile & clay bleaching	Augusta, GA Charleston, TN Salto, Brazil	caustic soda, sulfur dioxide
Sodium hypochlorite	Household cleaners, laundry bleaching, swimming pool sanitizers, semiconductors, water treatment, textiles, pulp & paper and food processing	Augusta, GA Charleston, TN McIntosh, AL Niagara Falls, NY	chlorine, caustic soda
Hydrochloric acid	Steel, oil & gas, plastics, organic chemical synthesis, water and wastewater treatment, brine treatment, artificial sweeteners, pharmaceuticals, food processing and ore and mineral processing	Augusta, GA Charleston, TN Niagara Falls, NY	chlorine, hydrogen

Strategies

Continued Role as a Preferred Supplier to Merchant Market Customers. Based on our market research, we believe our Chlor Alkali Products business is viewed as a preferred supplier by our merchant market customers. We will continue to focus on providing quality customer service support and developing relationships with our valued customers.

Pursue Incremental Expansion Opportunities . We have invested in capacity and product upgrades in our chemically processed salt, hydrochloric acid, sodium hypochlorite and hydrogen businesses. These expansions increase our captive use of chlorine while increasing the sales of these co-products. These niche businesses provide opportunities to upgrade chlorine and caustic to higher value-added applications. We also have the opportunity, when business conditions permit, to pursue incremental expansion through our Sunbelt joint venture.

Metals

Products and Services

We have been in the Metals business for approximately 86 years. Based on Copper Development Association Inc. (CDA) data, we are a leading manufacturer of copper and copper alloy sheet, strip, plate, foil and brass rod in the United States. CDA acts as the central authoritative source of data and information pertaining to the U.S. copper and brass industry. While primarily processing copper alloys, we also reroll and form other metals, such as aluminum and stainless steel. We believe we hold leading positions for premium priced, high performance alloys in the United States. We supply high performance alloys to non-U.S. customers through exports, technology licensing, joint ventures and local distribution. Participants in the copper sheet and strip industry include integrated mills, reroll mills and distributors, with many participants engaging in multiple roles. We believe that we are the largest U.S. participant in each of these categories. We believe that our status as the largest U.S. participant affords us a favorable industry position. We also believe we are one of the lowest cost producers, a quality and service leader and a specialty product innovator.

All of our copper sheet and strip mills are both QS 9000 and ISO 9000 certified. QS 9000 is an international automotive standard that was developed by General Motors, Ford Motor Company and Chrysler to harmonize the fundamental supplier quality systems as an assessment tool, and is based upon ISO 9000 standards. All sheet and strip locations are ISO certified. On September 27, 2002, we completed our acquisition of Chase Industries Inc., which we refer to as Chase. Chase, with 2002 sales of \$232 million, is a leading manufacturer and supplier of free-machining brass rod in the U.S. and Canada and is ISO 9002 certified.

We maintain many advantages over our competition through our patent-protected technologies. We believe our high performance alloys provide superior strength, conductivity and formability to customers in the automotive, electrical, electronic and telecommunications industries. We currently hold 31 U.S. patents associated with high performance alloys and 61 other U.S. patents related to various proprietary processing and technical capabilities, many of which are also registered in foreign jurisdictions. To further our global presence, we have established a joint venture with Yamaha Corporation in Japan to produce high performance alloys, formed a technical alliance with Wieland-Werke A.G. of Germany under which we jointly develop new high performance alloys and participate in an alloy licensing arrangement and have formed a joint venture with Luoyang Copper (Group) Ltd. in China to jointly construct and operate a metals distribution center to service the growing Chinese demand. These relationships provide us with greater global reach and enable us to provide high performance alloys in Asia and Europe.

In addition, through sales of our clad metal, produced by a proprietary cladding process, we believe we are a major supplier of coinage metal to the U.S. Mint. We also supply coinage metal to other world governments. Our Metals segment produces ammunition cartridge cups for use captively in the manufacture of our Winchester sporting ammunition, which constitutes a small portion of our total Metals segment output. We also sell cartridge brass to other ammunition makers. This relationship with Winchester, along with our growing fabrication business for select customers, provides us with a significant captive customer base.

Brass and other copper alloys are manufactured by melting copper together with various combinations of zinc, lead or other metals. The resulting product goes through a series of processes, including casting, hot rolling, milling, cold rolling, annealing, cleaning and slitting to produce sheet and strip and a similar process for the production of rod. The principal end-uses for sheet and strip products include: automotive (connectors and radiators); electronics (lead frames, connectors, wiring and telecommunications applications); ammunition; coinage; and other applications such as builder's hardware, plumbing supplies and welded tube for utility condensers and industrial heat exchangers. Brass rod is used to produce a variety of products, such as faucets, plumbing fittings, heating and air conditioning components, industrial valves, automotive parts and numerous hardware components.

The major raw materials used in our metals business are copper, zinc, other non-ferrous metals and brass scrap, purchased from merchants, dealers and customers at market prices.

Historically, demand for copper sheet and strip and rod has exhibited growth consistent with the growth in the U.S. gross domestic product. In the late 1990's and in 2000, demand expanded at a rapid pace principally due to the strength of the U.S. economy. From 1997 to 2000, sheet and strip demand grew at an annualized growth rate of approximately 8%. In 2001 and into 2002, demand has been lower because of the economic downturn.

The following table lists products and services of our Metals business, with principal products on the basis of annual sales highlighted in bold face.

<i>Products and Services</i>	<i>Major End Uses</i>	<i>Plants & Facilities*</i>	<i>Major Raw Materials & Components for Products/Services</i>
Copper & copper alloy sheet & strip (standard & high performance)	Electronic connectors, lead frames, electrical components, communications, automotive, builders' hardware, coinage, ammunition	Bryan, OH East Alton, IL Indianapolis, IN (closing announced) Seymour, CT Waterbury, CT (two locations) Iwata, Japan (Yamaha-Olin Metal Corporation)	copper, zinc & other nonferrous metals
Network of metals service centers	Electronic connectors, electrical components, communications, automotive, builders' hardware, household products	Allentown, PA Alliance, OH Caguas, PR Carol Stream, IL Suwanee, GA Warwick, RI Watertown, CT Yorba Linda, CA Queretaro, Mexico	copper & copper alloy sheet, strip, tube & steel & aluminum strip
Posit-bond® clad metal	Coinage strip & blanks	East Alton, IL	cupronickel, copper & aluminum
Rolled copper foil, Copperbond® foil, stainless steel strip	Printed circuit boards, electrical & electronic, automotive	Waterbury, CT	copper & copper alloy sheet, strip and foil and stainless steel strip
Copper alloy welded tube	Utility condensers, industrial heat exchangers, refrigeration & air conditioning, builders' hardware, automotive	Cuba, MO	copper alloy strip
Fabricated products	Builders' hardware, plumbing, automotive and ammunition components	East Alton, IL	copper and copper alloy, and stainless steel strip
Shaped brass rod	Plumbing, consumer durable goods, industrial machinery and equipment, and electrical and electronic parts	Montpelier, OH Los Angeles, CA (distribution center)	brass scrap
High performance, high reliability, hermetic metal packages for microelectronics industry	Computer, telecommunications, medical, aerospace and military	New Bedford, MA	metal alloys, metal matrix composites, glasses and ceramic components

* If site is not operated by Olin or a majority-owned, direct or indirect subsidiary, name of joint venture, affiliate or operator is indicated.

Strategies

Continue Profitable Growth Globally. Our goal is to be a leading worldwide supplier of specialty copper-based products and related engineered materials. We intend to achieve this goal by building our high performance alloys business on a global basis. In 2002, we took a number of actions to further develop our global presence, including the acquisition of Chase, a leading manufacturer and supplier of brass rod in the United States and Canada. We entered into an agreement with Luoyang Copper (Group) Ltd. to jointly construct and operate a metals service center in Guangzhou, China, which we expect to be operational in the second half of 2003.

Maintain Premier Specialty Product Innovator Position. We believe that we manufacture more high performance alloys than any other competitor, and we are investing to expand our product line. Our specialty products include proprietary high performance alloys and materials that meet strength, gauge, formability and conductivity requirements for applications in our customers' industries.

Increase Cost Efficiencies. We will continue to focus on achieving economies of scale, improved manufacturing processes and innovation in pursuit of cost reductions. We strive for profit improvements primarily through yield improvements, increased equipment utilization and capacity enhancements.

Continue Our Quality Leadership. We will maintain ISO 9000, QS 9000, and ISO 14001 certifications. For example, our East Alton, Illinois mill carries the distinctive certifications of ISO 9001, due to its extensive design work, and ISO 14001, a prominent environmental standard. We believe that these certifications demonstrate a quality advantage not possessed by our key U.S. competitors. We also continue to maintain preferred supplier positions with some of the largest or most respected companies in segments where quality is essential, such as automotive and electronics.

Leverage Our Service and Distribution Leadership for Growth. We believe that we are a service and distribution leader in the copper-based metals industry. Our A.J. Oster distribution system extends throughout the United States and also includes facilities in Puerto Rico and Mexico. We sell directly from the mill to large volume customers, and to small and medium size customers through A.J. Oster and other licensed distributors. We intend to leverage our service leadership and our distribution network to improve our just-in-time delivery services and our customized order capabilities.

Winchester

Products and Services

Winchester is in its 136th year of operation and its 72nd year as part of Olin. Winchester is a premier developer and manufacturer of small caliber ammunition for sale to domestic and international retailers, law enforcement agencies and domestic and international militaries. We believe we are a leading U.S. producer of ammunition for recreational shooters, hunters, law enforcement agencies and the U.S. Armed Forces. Our legendary Winchester product line includes all major gauges and calibers of shotgun shells, rimfire and centerfire ammunition for pistols and rifles, canister powder, reloading components and industrial cartridges. We believe we are the market leader in both shotshell and centerfire pistol ammunitions. We expect the sporting ammunition industry to show a relatively flat growth profile for 2003 and 2004, after increasing slightly in 2002.

Winchester has strong relationships throughout the sales and distribution chain and strong ties to traditional dealers and distributors. Winchester has built its business with key high volume mass merchants and specialty sporting goods retailers. We have consistently developed industry-leading ammunition, and in eight of the last ten years, including each of the past five years, Winchester was recognized with the “Ammunition of the Year” award from the Shooting Industry Academy of Excellence for its technological and design leadership. In 2002, we were recognized as “Manufacturer of the Year” in the ammunition category by the National Association of Sporting Goods Wholesalers and as Wal-Mart Canada’s “2002 Vendor Partner of the Year.”

Winchester purchases raw materials such as lead and zinc from merchants, dealers and customers at market prices as posted on exchanges such as the Commodity Metals Exchange, or COMEX, and London Metals Exchange, or LME. Winchester also purchases copper-based strip and cups from our Metals segment. Winchester’s other main raw material is propellant, which is purchased predominately from one of the United States’ largest propellant suppliers.

The following table lists products and services of our Winchester business, with principal products on the basis of annual sales highlighted in bold face.

<i>Products & Services</i>	<i>Major End Uses</i>	<i>Plants & Facilities</i>	<i>Major Raw Materials & Components for Products/Services</i>
Winchester® sporting ammunition (shot-shells, small caliber centerfire & rimfire ammunition)	Hunters & recreational shooters, law enforcement agencies	East Alton, IL Geelong, Australia	brass, lead, steel, plastic, propellant, explosives
Small caliber military ammunition	Infantry and mounted weapons	East Alton, IL	brass, lead, propellant, explosives
Government-owned arsenal operation	Maintenance of U.S. Army laid-away production plant	Baraboo, WI	subcontracted & government-supplied components
Industrial products (8 gauge loads & powder-actuated tool loads)	Maintenance applications in power & concrete industries, powder-actuated tools in construction industry	East Alton, IL Geelong, Australia	brass, lead, plastic, propellant, explosives

Strategies

Leverage Existing Strengths. Winchester will focus on seeking new opportunities to leverage the legendary Winchester brand name and will continue to offer a full line of ammunition products to the markets we serve, with specific focus on investments that lower our costs and that make Winchester ammunition the retail brand of choice.

Focus on Product Line Growth. With a long record of pioneering new product offerings, Winchester has built a strong reputation as an industry innovator. This includes the introduction of reduced-lead and non-lead products, which are growing in popularity for use in indoor shooting ranges and for outdoor hunting.

2002 DEVELOPMENTS

On September 27, 2002, we completed our acquisition of Chase and issued approximately 9.8 million shares of our common stock for all of the outstanding stock of Chase. In connection with the acquisition of Chase, we entered into a Voting Agreement with Court Square Capital Limited, or Court Square, dated as of May 7, 2002. Pursuant to the Voting Agreement, we were required to file a registration statement for the 4,665,564 shares of Olin common stock issued to Court Square in the merger. This registration statement was declared effective by the Securities and Exchange Commission on December 20, 2002. Olin will receive none of the proceeds from the sale of any of these shares.

In November 2002, we announced that our Metals Group had entered into an agreement with Luoyang Copper to jointly construct and operate a metals service center in Guangzhou, Guangdong Province, China. The joint venture named Olin Luotong Metals (GZ) Ltd., Co., will process and distribute both our and Luoyang's copper alloy products to the growing Chinese marketplace. The joint venture will allow us to supply our high performance alloys, or HPAs, targeted at the electronics, automotive and telecommunications industries, at competitive costs. This joint venture is expected to be operational in the second half of 2003, subject to Chinese government approval.

INTERNATIONAL OPERATIONS

We have sales offices and subsidiaries in various countries which support the worldwide export of products from the United States as well as overseas production facilities. In addition, we manufacture and distribute sodium hydrosulfite in Brazil.

Yamaha-Olin Metal Corporation, manufactures high-performance copper alloys in Japan for sale to the electronics industry throughout the Far East. Our subsidiary, Olin Australia Limited, loads and packs sporting and industrial ammunition in Australia. We entered into an agreement with Luoyang Copper (Group) Ltd. to jointly construct and operate a metals service center in Guangzhou, China, which we expect to be operational in the second half of 2003. See the Note "Segment Information" of the Notes to Consolidated Financial Statements in Item 8, for geographic segment data. We are incorporating our segment information from that Note into this section of our Form 10-K.

CUSTOMERS AND DISTRIBUTION

During 2002, no single customer accounted for more than 6% of consolidated sales. Sales to all U.S. government agencies and sales under U.S. government contracting activities in total accounted for approximately 7% of consolidated sales in 2002. Products we sell to industrial or commercial users or distributors for use in the production of other products constitute a major part of our total sales. We sell some of our products, such as sporting ammunition and brass, to a large number of users or distributors, while we sell others, such as chlorine and caustic soda, in substantial quantities to a relatively small number of industrial users. We discuss the customers for each of our three businesses in more detail above under "Products and Services."

We market most of our products and services primarily through our sales force and sell directly to various industrial customers, the U.S. Government and its prime contractors, to wholesalers and other distributors.

Because we engage in some government contracting activities and make sales to the U.S. Government, we are subject to extensive and complex U.S. Government procurement laws and regulations. These laws and regulations provide for ongoing government audits and reviews of contract procurement, performance and administration. Failure to comply, even inadvertently, with these laws and regulations and with laws governing the export of munitions and other controlled products and commodities could subject us or one or more of our businesses to civil and criminal penalties, and under certain circumstances, suspension and debarment from future government contracts and the exporting of products for a specified period of time.

COMPETITION

We are in active competition with businesses producing the same or similar products, as well as, in some instances, with businesses producing different products designed for the same uses. We are among the largest manufacturers or distributors in the United States of ammunition, copper and copper alloys and certain chlor alkali products based on data provided by the Sporting Arms and Ammunition Manufacturers' Institute (SAAMI), CDA and CMAI, respectively. Founded in 1926, SAAMI is an association of the nation's leading manufacturers of sporting firearms, ammunition and components. Many factors influence our ability to compete successfully, including price, delivery, service, performance, product innovation and product recognition and quality, depending on the product involved.

EMPLOYEES

As of December 31, 2002, we had approximately 6,200 employees (excluding approximately 60 employees at Government-owned, contractor-operated facilities), with approximately 6,100 working in the United States and approximately 100 working in foreign countries. Various labor unions represent a majority of our hourly-paid employees for collective bargaining purposes. Although some labor contracts extend for as long as six years, others are for shorter periods. A labor contract for approximately 210 employees at the Chlor Alkali Products Division's McIntosh, Alabama facility expires in April 2004. While we believe our relations with our employees and their various representatives are generally satisfactory, we cannot assure you that we can conclude these labor contracts or any other labor agreements without work stoppages.

RESEARCH ACTIVITIES; PATENTS

Our research activities are conducted on a product-group basis at a number of facilities. Company-sponsored research expenditures were approximately \$5 million during each of 2002, 2001 and 2000.

We own or license a number of patents, patent applications and trade secrets covering our products and processes, particularly for use in our Metals segment. We believe that, in the aggregate, the rights under our patents and licenses are important to our operations, but we do not consider any individual patent or license or group of patents and licenses related to a specific process or product to be of material importance to our total business.

RAW MATERIALS AND ENERGY

We purchase the major portion of our raw material requirements. The principal basic raw materials for our production of chlor alkali products are salt, electricity, sulfur dioxide, chlorine and hydrogen. Copper, zinc, various other nonferrous metals and brass scrap are required for the Metals business. Lead, brass and propellant are the principal raw materials used in the Winchester business. We typically purchase our principal basic raw materials pursuant to multiyear contracts. In the manufacture of ammunition, we use a substantial percentage of our own output of cartridge brass. We provide additional information with respect to specific raw materials in the tables above under "Products and Services."

Electricity is the predominant energy source for our manufacturing facilities. Most of our facilities are served by utilities which generate electricity principally from coal, hydroelectric and nuclear power.

ENVIRONMENTAL AND TOXIC SUBSTANCES CONTROLS

The establishment and implementation of federal, state and local standards to regulate air, water and land quality have affected and will continue to affect substantially all of our manufacturing locations. Federal legislation providing for regulation of the manufacture, transportation, use and disposal of hazardous and toxic substances has imposed additional regulatory requirements on industry, particularly the chemicals industry. In addition, implementation of environmental laws, such as the Resource Conservation and Recovery Act and the Clean Air Act, has required and will continue to require new capital expenditures and will increase operating costs. We employ waste minimization and pollution prevention programs at our manufacturing sites and we are a party to various governmental and private environmental actions associated with waste disposal sites and manufacturing facilities. Charges to income for investigatory and remedial efforts were material to operating results in the past three years and may be material to net income in future years.

See our discussion of our environmental matters in Item 3, "Legal Proceedings" below, the Note "Environmental" of the Notes to Consolidated Financial Statements contained in Item 8, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

In addition to the other information in this Form 10-K, the following factors should be considered in evaluating Olin and our business. All of our forward-looking statements should be considered in light of these factors. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect us.

Sensitivity to Global Economic Conditions and Cyclical —Our operating results could be negatively affected during economic downturns.

The business of most of our customers, particularly our automotive, coinage, electrical connectors, telecommunications and housing customers, are, to varying degrees, cyclical and have historically experienced periodic downturns. These economic and industry downturns have been characterized by diminished product demand, excess manufacturing capacity and, in some cases, lower average selling prices. Therefore, any significant downturn in our customers' businesses or in global economic conditions could result in a reduction in demand for our products and could adversely affect our results of operations or financial condition. As a result of the depressed economic conditions beginning in the fourth quarter of 2000 and continuing through the first half of 2002, our vinyls, urethanes and pulp and paper customers have had lower demand for our chlor alkali products. Our coinage, electronic and telecommunications customers had lower demand for our Metals products beginning in the fourth quarter of 2000 and continuing through 2002. Lower demand in our Metals and Chlor Alkali Products segments has adversely affected our business and results of operations in 2001 and 2002, compared to 2000. Specifically, the continued slowdown in the coinage and telecommunications industries has adversely affected our results of operations in our Metals segment.

Although we do not generally sell a large percentage of our products directly to customers abroad, a large part of our financial performance is dependent upon a healthy economy beyond the United States. Our customers sell their products abroad. As a result, our business is affected by general economic conditions and other factors in Western Europe and most of East Asia, particularly China and Japan, including fluctuations in interest rates, customer demand, labor costs and other factors beyond our control. The demand for our customers' products, and therefore, our products, is directly affected by such fluctuations. Our joint venture, Yamaha-Olin Metal Corporation, located in Japan, is particularly susceptible to these fluctuations. We cannot assure you that events having an adverse effect on the industries in which we operate will not occur or continue, such as a further downturn in the Western European, Asian or world economies, increases in interest rates, unfavorable currency fluctuations or a prolonged slowdown in the coinage, electronic or telecommunications industries.

The terrorist attacks of September 11th created many economic and political uncertainties and have had a negative impact on the global economy. The long-term effects of these attacks on our future operating results and financial condition are unknown. The national and international responses to terrorist attacks and the potential for additional terrorist attacks or similar events could have further material adverse effects on the economy in general, on our industry and on our operations. For example, war with one or more countries, including a United States attack on Iraq, which is under public discussion by the country's leaders, could have numerous consequences for us and our customers, one of which may be sustained high energy prices.

Cyclical Pricing Pressure —Our profitability could be reduced by declines in average selling prices of our products, particularly declines in the ECU netback (gross price less freight and discounts).

Our historical operating results reflect the cyclical and sometimes volatile nature of the chemical, metals and ammunition industries. We experience cycles of fluctuating supply and demand in each of our business segments, particularly in the Chlor Alkali Products division, which results in changes in selling prices. Periods of high demand, tight supply and increasing operating margins tend to result in increased capacity and production until supply exceeds demand, generally followed by periods of oversupply and declining prices. The industry build cycle, and its impact on industry pricing, has been most pronounced in our Chlor Alkali Products segment. For example, in 1995 and 1996, the chlor alkali industry was very profitable due to a tight supply/demand balance, which resulted in both higher operating rates and higher ECU prices. Higher profits led to reinvestment to expand capacity. This new capacity became operational in 1998 and 1999, resulting in industry over-capacity. This imbalance was exacerbated by falling demand as a result of the Asian financial crisis. The supply/demand imbalance resulted in both lower operating rates and lower ECU prices, and in 1999, many chlor alkali producers had operating losses. The supply/demand balance improved due to improved economic conditions in 2000 compared to 1999, and ECU prices increased in 2000 compared to 1999. As the U.S. and world economies have deteriorated in 2001 and through the first half of 2002, the chlor alkali industry again experienced a period of oversupply because of lower industry demand for both chlorine and caustic.

Price in the chlor alkali industry is a major supplier selection criterion. We have little or no ability to influence prices in this large commodity market. Decreases in the average selling prices of our products could have a material adverse effect on our profitability. For example, assuming all other costs remain constant, a \$10 change in our ECU netback causes a corresponding \$11 million increase or decrease in our annual revenues and pre-tax profits, when we are operating at full capacity. While we strive to maintain or increase our profitability by reducing costs through improving production efficiency, emphasizing higher margin products, and by controlling selling and administration expenses, we cannot assure you that these efforts will be sufficient to offset fully the effect of changes in pricing on operating results.

Because of the cyclical nature of our businesses, we cannot assure you that pricing or profitability in the future will be comparable to any particular historical period, including the most recent period shown in our operating results. We cannot assure you that the chlor alkali industry will not experience adverse trends in the future, or that our operating results and/or financial condition will not be adversely affected by them.

Our Metals and Winchester segments are also subject to changes in operating results as a result of cyclical pricing pressures, but to a lesser extent than the Chlor Alkali Products segment. We generally pass changes in prices for copper and other metals along to our customers as part of the negotiated price of the finished product in most of our Metals segment product lines. However, our Metals segment experiences manufacturing or pricing pressure with respect to its conversion charges, and we cannot assure you that adverse trends in pricing and margins will not affect operating results in the future. Similarly, selling prices of ammunition are affected by changes in raw material costs and customer demand, and declines in average selling prices of our Winchester segment could adversely affect our profitability.

Indebtedness —Our indebtedness could adversely affect our financial condition, limit our ability to grow and compete and prevent us from fulfilling our obligation under our indebtedness.

As of December 31, 2002, we had approximately \$330 million of indebtedness outstanding, excluding our guarantee of \$91.4 million of indebtedness of our Sunbelt joint venture. This does not include our \$140 million senior credit facility on which we had \$119 million available on that date. As of December 31, 2002, our indebtedness represented 58.8% of our total capitalization. On January 3, 2002, we entered into a new \$140 million three-year revolving senior credit facility, which we refer to as our senior credit facility.

Our indebtedness could adversely affect our financial condition, limit our ability to grow and compete and prevent us from fulfilling our obligations under our indebtedness. Despite our level of indebtedness, our senior credit facility and our existing indentures permit us to borrow additional money. If we borrow more money, the risks related to our indebtedness could be increased significantly.

Debt Service —We may not be able to generate sufficient cash to service our debt, which may require us to refinance our indebtedness or default on our scheduled debt payments.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt depends on a range of economic, competitive and business factors, many of which are outside our control. We cannot assure you that our business will generate sufficient cash flow from operations. If we are unable to meet our expenses and debt obligations, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We cannot assure you that we would be able to refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our debt obligations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

After taking into consideration our interest-rate swaps which convert our fixed rate debt to a variable rate, at December 31, 2002, approximately 43% of our indebtedness bears interest at variable rates that are linked to short-term interest rates. If interest rates rise, our costs relative to those obligations would also rise.

Imbalance in Demand for Our Chlor Alkali Products —A loss of a substantial customer for our chlorine or caustic soda could cause an imbalance in demand for these products, which could have an adverse effect on our results of operations.

Chlorine and caustic soda are produced simultaneously and in a fixed ratio of 1.0 ton of chlorine to 1.1 tons of caustic soda. The loss of a substantial chlorine or caustic soda customer could cause an imbalance in demand for our chlorine and caustic soda products. An imbalance in demand may require us to reduce production of both chlorine and caustic soda or take other steps to correct the imbalance. Since we cannot store chlorine, we may not be able to respond to an imbalance in demand for these products as quickly or efficiently as some of our competitors. If a substantial imbalance occurred, we would need to reduce prices or take other actions that could have a negative impact on our results of operations and financial condition.

Competition —We face competition from other chemical, metals and ammunition companies, which could adversely affect our revenues and financial condition.

We are in active competition with companies producing the same or similar products, as well as, in some instances, with companies producing different products designed for the same uses. With respect to certain product groups, such as ammunition, copper alloys and brass rod, and with respect to certain chlor alkali products, we are among the largest manufacturers or distributors in the United States. We encounter competition in price, delivery, service, securing and maintaining customers, performance, technology, product innovation, and product recognition and quality, depending on the product involved. With respect to certain products, some of our competitors are larger, have greater financial resources and have less debt than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate and throughout the economy as a whole. If we do not compete successfully, our business, financial condition and results of operations could be adversely affected.

Environmental Costs —We have ongoing environmental costs, which could also have a material adverse effect on our financial condition.

The nature of our operations and products, including the raw materials we handle, exposes us to the risk of liabilities or claims with respect to environmental matters. We have incurred, and will continue to incur, significant costs and capital expenditures in complying with these environmental laws and regulations.

The ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. One liable party could be held responsible for all costs at a site, regardless of fault, percentage of contribution to the site or the legality of the original disposal. We could incur significant costs, including cleanup costs, natural resources damages, civil or criminal fines and sanctions and third-party lawsuits claiming, for example, personal injury and/or property damage, as a result of past or future violations of, or liabilities under, environmental or other laws. In addition, future events, such as changes to or more rigorous enforcement of environmental laws, could require us to make additional expenditures, modify or curtail our operations and/or install pollution control equipment. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters.”

Cost Control —Our profitability could be reduced if we experience higher-than-expected raw material, utility, transportation or logistics costs, or if we fail to achieve our targeted cost reductions.

Our operating results and profitability are dependent upon our continued ability to control, and in some cases further reduce, our costs. If we are unable to do so, or if costs outside of our control, particularly our costs of raw materials, utilities, transportation and similar costs increase beyond anticipated levels, our profitability will decline.

Production Hazards —Our facilities are subject to operating hazards, which may disrupt our business.

We are dependent upon the continued safe operation of our production facilities. Our production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of chemical materials and products and ammunition, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unexpected utility disruptions or outages, unscheduled downtime and environmental hazards. From time to time in the past, we have had incidents that have temporarily shut down or otherwise disrupted our manufacturing, causing production delays and resulting in liability for workplace injuries and fatalities. Some of our products involve the manufacture and/or handling of a variety of explosive and flammable materials. Use of these products by our customers could also result in liability if an explosion, fire, spill or other accident were to occur. We cannot assure you that we will not experience these types of incidents in the future or that these incidents will not result in production delays or otherwise have a material adverse effect on our business, financial condition or results of operations.

Tax Audits —We are currently subject to ongoing tax audits, which may result in additional tax payments.

We are currently subject to ongoing audits by the Internal Revenue Service in connection with our Federal tax returns for the years from 1992 to 2000; however, we have closed all tax years through 1991. Depending on the outcome of these audits, we may be required to pay additional taxes, and any additional taxes and related interest could be substantial. We have reserved amounts which we believe will be sufficient for any adverse outcome, but the actual amount of any such additional taxes and the timing of any such payments is uncertain.

Pension Plans —The decline in equity markets and low interest rates have resulted in our pension plan liabilities exceeding the fair value of the plan's assets as of December 31, 2002. This could result in higher pension costs and the need to fund the pension plan in future years.

Due to the significant decline in the equity markets during 2002 and declining long-term interest rates, which had the effect of lowering our discount rate and increasing the accumulated benefit obligation, the market value of our pension plan portfolio as of December 31, 2002 was below the accumulated benefit obligation. Under Statement of Financial Accounting Standards (SFAS) No. 87 we recorded a \$220 million after tax charge to Shareholders' Equity to reflect this difference. This is a non-cash charge and does not affect our ability to borrow under our revolving credit agreement. Based on our assumptions and estimates, we may be required to make contributions to the pension fund, but those contributions would not be required until 2005 and pension costs may be higher over the next few years. We estimate that the higher pension costs could be in the \$10 million per year range.

Security and Chemicals Transportation —New regulations on the transportation of hazardous chemicals and/or the security of chemical manufacturing facilities in response to the increased terrorist threat post September 11th could result in higher operating costs.

The chemical industry, including the chlor alkali industry, has proactively responded to the issues surrounding the events of September 11, 2001 by starting new initiatives relating to the security of chemicals industry facilities and the transportation of hazardous chemicals in the United States. Simultaneously, government at the local, state and federal levels has begun the regulatory process which could lead to new regulations that would impact the security of chemical plant locations and the transportation of hazardous chemicals. Our Chlor Alkali business could be adversely impacted because of either an incident or the cost of complying with new regulations. The extent of the impact would depend on the consequences of an incident and the nature and direction of future regulations, which are unknown at this time .

Litigation and Claims —We are subject to litigation and other claims, which could cause us to incur significant expenses.

We are a defendant in a number of pending legal proceedings relating to our present and former operations. These include proceedings alleging injurious exposure of plaintiffs to various chemicals and other substances (including proceedings based on alleged exposures to asbestos, perchlorate and vinyl chloride). Frequently, such proceedings involve claims made by numerous plaintiffs against many defendants. We believe we have valid defenses to these proceedings and are defending them vigorously. However, litigation is subject to uncertainties and we are unable to predict the outcome of these proceedings.

Item 2. PROPERTIES

We have manufacturing sites at 22 separate locations in 13 states and Puerto Rico and two manufacturing sites and a distribution facility in three foreign countries. In addition, a metals service center in China is expected to be operational in the second half of 2003. Most manufacturing sites are owned although a number of small sites are leased. We listed the locations at or from which our products and services are manufactured, distributed or marketed in the tables set forth under the caption "Products and Services."

We lease warehouses, terminals and distribution offices and space for executive and branch sales offices and service departments throughout the world.

Item 3. LEGAL PROCEEDINGS

(a) We continue to work with the United States Environmental Protection Agency, or USEPA, with respect to remediation of mercury contamination at the site of our former mercury cell Chlor Alkali Products plant in Saltville, Virginia.

Additional work is required including the covering of certain former waste ponds and additional investigation and monitoring. We began work to cover the ponds in 2001 and expect the work to be completed in 2003.

We have met with the site's Natural Resources Trustees at the Trustees' request regarding past releases from the Saltville site and the nearby North Fork of the Holston River. We do not know whether the Trustees will claim any natural resource damages associated with releases from the site. We believe that any liability incurred in this matter will not be materially adverse to our financial condition or liquidity. See "Environmental Matters" contained in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

(b) As part of the continuing environmental investigation by federal, state and local governments of waste disposal sites, we have entered into a number of settlement agreements requiring us to contribute to the cost of the investigation and cleanup of a number of sites. We expect this process of investigation and cleanup to continue. See "Environmental Matters" contained in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c) As a result of an internal audit of our East Alton, Illinois facility, we questioned whether recent upgrades to certain operations were completed in full compliance with certain USEPA air emissions regulations. Although our facility received a modification to its air emissions permit from the Illinois Environmental Protection Agency, or IEPA, for the upgrades, the permit modification may not have addressed or completely addressed all applicable regulations. On February 15, 2002, we disclosed to USEPA and IEPA that the upgrades may not have been in compliance with all aspects of USEPA regulations. Upon further review, we submitted a report to IEPA in June 2002, discussing our analysis of the regulations applicable to the upgrades. We have offered to work with USEPA and IEPA to determine the nature and extent of the issues and to correct them, if necessary. As part of the resolution of this issue, we may need to enhance pollution control equipment at our East Alton facility and pay some penalty. While we do not expect that the ultimate resolution of this matter will have a material impact on our financial position, we cannot, at this time, determine the financial impact, if any, on our results of operations in a particular year.

(d) We and our subsidiaries are defendants in various other legal actions (including proceedings based on alleged exposures to asbestos, perchlorate and vinyl chloride) incidental to our past and current business activities, none of which management believes to be material.

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

We did not submit any matter to a vote of security holders during the three months ended December 31, 2002.

Executive Officers as of February 28, 2003

<i>Name and Age</i>	<i>Office</i>	<i>Served as an Officer Since</i>
Joseph D. Rupp (52)	President and Chief Executive Officer	1996
Anthony W. Ruggiero (61)	Executive Vice President and Chief Financial Officer	1995
Thomas M. Gura (57)	Executive Vice President, Metals Group	1997
Peter C. Kosche (60)	Senior Vice President, Corporate Affairs	1993
George B. Erensen (59)	Vice President and General Tax Counsel	1990
Mary E. Gallagher (37)	Vice President and Controller	1999
John L. McIntosh (48)	Vice President and President, Chlor Alkali Products Division	1999
George H. Pain (52)	Vice President, General Counsel and Secretary	2002
Janet M. Pierpont (55)	Vice President and Treasurer	1990

No family relationship exists between any of the above named executive officers or between any of them and any of our Directors. Such officers were elected to serve, subject to the By-laws, until their respective successors are chosen.

Each of the above-named executive officers, except M. E. Gallagher, J. L. McIntosh and G. H. Pain has served as an executive officer for not less than the past five years.

Mary E. Gallagher was elected a Corporate Vice President on April 27, 2000. She was elected Controller on April 29, 1999. Prior to that time, and since she joined Olin in May 1996, she served as Director, Accounting and Financial Reporting. Prior to joining Olin, she served as a Senior Manager with KPMG LLP.

John L. McIntosh was elected a Corporate Vice President on February 1, 1999 and also serves as President, Chlor Alkali Products Division. Prior to that time, since 1997, he served as Vice President, Operations for Olin's specialty chemicals operations. He also served as Vice President, Manufacturing and Engineering for Chlor Alkali and was Director of Manufacturing, Engineering and Purchasing for that division from 1991 through 1997.

George H. Pain joined Olin on April 15, 2002 as Vice President, General Counsel and Secretary. Prior to the time, since 2001, he served as Vice President and General Counsel of General Dynamics Ordnance and Tactical Systems, Inc., an operating unit of General Dynamics Corporation. From 1997-2001, he served as Vice President, General Counsel and Secretary of Primex Technologies, Inc.

PART II

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

As of January 31, 2003, we had approximately 7,163 record holders of our common stock.

Our common stock is traded on the New York Stock Exchange, Chicago Stock Exchange and Pacific Exchange, Inc.

The high and low sales prices of our common stock during each quarterly period in 2002 and 2001 are listed below. A dividend of \$0.20 per common share was paid during each of the four quarters in 2002 and 2001.

	<i>First Quarter</i>	<i>Second Quarter</i>	<i>Third Quarter</i>	<i>Fourth Quarter</i>
2002				
Market price of common stock per New York Stock Exchange composite transactions				
High	\$18.80	22.25	22.60	17.06
Low	13.85	16.98	15.59	13.90
2001				
Market price of common stock per New York Stock Exchange composite transactions				
High	\$22.75	22.53	18.00	17.25
Low	17.76	14.90	13.30	12.05

This table summarizes share and exercise price information about our equity compensation plans as of December 31, 2002. The table does not include:

- 500,000 shares available under a deferral plan assumed in connection with the acquisition of Monarch Brass & Copper Corp. (Monarch), under which certain former employees of that company with deferred compensation may periodically transfer the deferred amount into shares of Olin common stock on the basis of the then-current fair market value, although no such transfers had been made as of December 31, 2002, or
- 47,636 shares remaining available as of December 31, 2002 under Olin's Employee Deferral Plan, which permits employees to defer certain elements of compensation in shares of Olin common stock, on the basis of the fair market value of the shares at the time of the deferral.

Equity Compensation Plan Information

<i>Plan Category</i>	<i>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)</i>	<i>(b) Weighted-average exercise price of outstanding options, warrants and rights</i>	<i>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (1))</i>
Equity compensation plans approved by security holders (2)	4,316,414(3)	\$19.98(3)	1,342,633
Equity compensation plans not approved by security holders (4)(5)	118,875(4)	N/A(4)	96,163(4)
Total	4,435,289	\$19.98(3,4)	1,438,796

- (1) Number of shares is subject to adjustment for changes in capitalization for stock splits and stock dividends and similar events.
- (2) Does not include information about equity compensation plans that have expired. No additional awards may be granted under those expired plans. As of December 31, 2002:

<u>Plan Name</u>	<u>Expiration Date</u>	<u>Number of Securities Issuable Under Outstanding Awards</u>	<u>Exercise Price</u>	<u>Weighted Average Remaining Term</u>
1988 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries	4/30/98	534,532	\$19.30	2.19 years
Olin 1991 Long Term Incentive Plan	4/30/01	753,060 (options)	\$18.97	7.08 years
		42,900 (restricted stock)	N/A	N/A – weighted average remaining vesting period of 0.62 years
		5,850 (performance shares)	N/A	N/A – 1.0 years remaining in performance measurement period

- (3) Consists of the 1996 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries and the 2000 Long Term Incentive Plan. Includes:
- 4,040,847 shares issuable upon exercise of options with a weighted average exercise price of \$19.98, and a weighted average remaining term of 6.44 years,
 - 22,175 shares issuable under restricted stock unit grants, with a weighted average remaining term of 2.0 years, and
 - 253,392 shares issuable in connection with outstanding performance share awards, with a weighted average term of 1.54 years remaining in the performance measurement period.

The shares issuable upon exercise of options include 924,000 shares subject to performance accelerated vesting options, that vest on the earlier of December 27, 2009, or the tenth day in any 30 calendar day period upon which the average of the high and low per share sales prices of Olin's common stock as reported on the consolidated transaction system for New York Stock Exchanges issues is at or above \$28.00.

- (4) Consists of the 1997 Stock Plan for Non-employee Directors. All awards under that plan are stock grants for retainers, other board and committee fees, and dividends on deferred stock under the plan. Column (c) does not include the 50,000 share increase in total shares available for issuance under the amended and restated plan being submitted for shareholder approval at the annual meeting.
- (5) Does not include information about the proposed 2003 Long Term Incentive Plan being submitted for shareholder approval at the annual meeting. No awards have been made under that plan.

Does not include information about equity compensation plans assumed in connection with the acquisition of Chase Industries Inc. by merger. No additional awards may be granted under those assumed plans. As of December 31, 2002, options for a total of 916,664 shares, with a weighted average exercise price of \$15.99 per share, and a weighted average remaining term of 3.13 years, were outstanding under the various plans assumed in connection with that acquisition.

Does not include a total of 644,714 shares issuable upon the exercise of outstanding options under the Arch Chemicals, Inc. 1999 Long Term Incentive Plan, with a weighted average exercise price of \$24.77, and a weighted average remaining term of 3.90 years. No additional options or other awards may be issued under that plan.

Item 6. SELECTED FINANCIAL DATA

TEN-YEAR SUMMARY

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
(\$ and shares in millions, except per share data)										
Operations										
Sales	\$1,301	\$1,271	\$1,549	\$1,395	\$1,504	\$ 1,572	\$ 1,817	\$ 1,886	\$ 1,686	\$ 1,507
Cost of Goods Sold	1,181	1,122	1,277	1,215	1,239	1,276	1,455	1,541	1,425	1,447
Selling and Administration	115	116	127	122	123	132	155	153	139	135
Research and Development	5	5	5	7	10	8	20	17	18	21
Gain (Loss) on Sales and Restructuring of Businesses and Spin-off Costs	—	(39)	—	—	(63)	—	179	—	—	(26)
Interest Expense	26	17	16	16	17	24	27	33	27	29
Interest and Other Income (Expense)	(1)	15	7	(8)	7	15	13	(5)	—	—
Income (Loss) from Continuing Operations before Taxes	(27)	(13)	131	27	59	147	352	137	77	(151)
Income Tax Provision (Benefit)	4	(4)	50	10	21	50	125	47	26	(60)
Income (Loss) from Continuing Operations	(31)	(9)	81	17	38	97	227	90	51	(91)
Discontinued Operations	—	—	—	4	40	56	53	50	40	(1)
Net Income (Loss)	(31)	(9)	81	21	78	153	280	140	91	(92)
Financial Position										
Working Capital	381 ⁽¹⁾	281 ⁽¹⁾	253 ⁽¹⁾	252 ⁽¹⁾	225 ⁽¹⁾	273 ⁽¹⁾	385 ⁽¹⁾	24	88	(15)
Property, Plant and Equipment, Net	552	477	483	468	475	517	400	580	540	534
Total Assets	1,424	1,219	1,123	1,063	1,589	1,707	2,118	1,963	1,749	1,685
Capitalization:										
Short-Term Debt	2 ⁽¹⁾	102 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾	8 ⁽¹⁾	137 ⁽¹⁾	122	29	113
Long-Term Debt	328 ⁽¹⁾	329 ⁽¹⁾	228 ⁽¹⁾	229 ⁽¹⁾	230 ⁽¹⁾	262 ⁽¹⁾	271 ⁽¹⁾	406	418	449
Shareholders' Equity	231	271	329	309	790	879	946	841	749	596
Total Capitalization	561	702	558	539	1,021	1,149	1,354	1,369	1,196	1,158
Per Share Data										
Net Income (Loss)										
Basic:										
Continuing Operations ⁽²⁾	(0.63)	(0.22)	1.80	0.36	0.79	1.91	4.30	1.71	0.87	(2.82)
Discontinued Operations	—	—	—	0.09	0.85	1.11	1.04	1.04	0.96	(0.03)
Net Income (Loss)	(0.63)	(0.22)	1.80	0.45	1.64	3.02	5.34	2.75	1.83	(2.85)
Diluted:										
Continuing Operations ⁽²⁾	(0.63)	(0.22)	1.80	0.36	0.79	1.90	4.26	1.70	0.87	(2.82)
Discontinued Operations	—	—	—	0.09	0.84	1.10	1.01	0.97	0.96	(0.03)
Net Income (Loss)	(0.63)	(0.22)	1.80	0.45	1.63	3.00	5.27	2.67	1.83	(2.85)
Cash Dividends:										
Common (historical)	0.80	0.80	0.80	0.90	1.20	1.20	1.20	1.20	1.10	1.10
Common (continuing operations)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.73	0.73
ESOP Preferred (annual rate)	—	—	—	—	—	—	5.97	5.97	5.97	5.97
Series A Preferred (annual rate)	—	—	—	—	—	—	—	3.64	3.64	3.64
Shareholders' Equity ⁽³⁾	4.01	6.24	7.48	6.87	17.25	17.98	18.13	17.03	15.43	13.62
Market Price of Common Stock:										
High	22.60	22.75	23.19	19.88	49.31	51.38	48.00	38.63	30.13	25.25
Low	13.85	12.05	14.19	9.50	23.88	35.38	34.88	24.25	23.00	20.00
Year End	15.55	16.14	22.13	19.81	28.31	46.88	37.63	37.13	25.75	24.75
Other										
Capital Expenditures	41	65	95	73	78	76	74	116	80	80
Depreciation	87	85	79	78	76	76	84	77	78	74
Common Dividends Paid	39	35	36	41	58	61	60	57	44	42
Purchases of Common Stock	3	14	20	11	112	163	—	—	—	—
Current Ratio	2.5	1.8	1.9	2.0	1.8	1.8	1.6	1.0	1.2	1.0
Total Debt to Total Capitalization ⁽⁴⁾	58.8%	61.4%	41.0%	42.7%	22.6%	23.5%	30.1%	37.9%	36.5%	46.8%
Effective Tax Rate	n/a	30.8%	38.2%	37.0%	35.6%	34.0%	35.5%	34.3%	33.2%	40.0%
Average Common Shares Outstanding	49.4	43.6	44.9	45.4	47.9	50.5	50.0	47.6	41.0	38.2
Shareholders	7,200	7,500	8,000	8,600	9,200	10,600	11,300	12,000	12,100	13,000
Employees ⁽⁵⁾	6,200	5,900	6,700	6,700	6,400	6,600	6,200	7,200	7,500	7,100

In December 1996, we sold our isocyanates business for \$565 in cash. 1996 and prior include the operating results of the isocyanates business.

- (1) Working Capital includes \$111 (\$165 in 2001, \$57 in 2000, \$21 in 1999, \$50 in 1998, \$157 in 1997, \$518 in 1996) of Cash and Cash Equivalents and \$25 (\$37 in 2001, \$25 in 2000, 1999 and 1998, \$28 in 1997, \$87 in 1996) of Short-Term Investments in 2002.
- (2) Includes gain of \$2.20 on sale of the isocyanates business in 1996.
- (3) In 1994 and 1993, calculation is based on common shares and Series A Conversion Preferred Stock outstanding.

- (4) Excluding reduction to equity for the Employee Stock Ownership Plan from 1993 through 1996.
- (5) Employee data exclude employees who work at government-owned/contractor-operated facilities.

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

BUSINESS BACKGROUND

Our operations are concentrated in three segments: Chlor Alkali Products, Metals and Winchester. All three are capital intensive manufacturing businesses with growth rates closely tied to the general economy. While each segment has a commodity element to it, our ability to influence pricing is quite limited and the portion of the business that is strictly commodity varies by segment. Our Chlor Alkali Products business is a commodity business where all supplier products are similar and price is the major supplier selection criterion. We have little or no ability to influence prices in this large, global commodity market. Cyclical price swings, driven by changes in supply/demand, can be abrupt and significant and, given capacity in our Chlor Alkali Products business, can lead to very significant changes in our overall profitability. While a majority of Metals sales are of a commodity nature, this business has a significant volume of specialty engineered products targeted for specific end-uses. In these applications, technical capability and performance differentiate the product and play a significant role in product selection and thus price is not the only selection criterion. Winchester also has a commodity element to its business but a majority of Winchester ammunition is sold as a branded consumer product where there are opportunities to differentiate certain offerings through innovative new product development and enhanced product performance. While competitive pricing versus other branded ammunition products is important, it is not the only factor in product selection.

RECENT DEVELOPMENTS AND HIGHLIGHTS

2002 Year

On September 27, 2002, we completed our acquisition of Chase with the issuance of approximately 9.8 million shares of our common stock for 100% of the outstanding stock of Chase. Our 2002 Metals segment's operating results include the sales and profits from Chase for the fourth quarter of 2002.

Due to the significant decline in the equity markets during 2002 the market value of our pension plan portfolio as of December 31, 2002 was below the accumulated benefit obligation. Under SFAS No. 87 we recorded a \$220 million after tax charge to Shareholders' Equity to reflect this difference. This is a non-cash charge and does not affect our ability to borrow under our revolving credit agreement. Based on our assumptions and estimates we continue to believe that we may be required to make contributions to the pension fund, but those contributions would not be required until 2005 and pension costs may be higher over the next few years. We estimate that the annual pretax increase in pension costs could be in the \$10 million per year range.

In March 2002, we issued and sold 3,302,914 shares of common stock at a public offering price of \$17.50. The net proceeds from the sale were approximately \$56 million.

In June 2002, we repaid the \$100 million 8% notes from the proceeds from the sale of \$200 million 9.125% notes in December 2001. In March 2002, we refinanced our variable rate tax-exempt debt issues, totaling \$35 million.

In November 2002, we announced that our Metals segment had entered into an agreement with Luoyang Copper to jointly construct and operate a metals service center in Guangzhou, Guangdong Province, China. The joint venture named Olin Luotong Metals (GZ) Ltd., Co., will process and distribute both our and Luoyang's copper alloy products to the growing Chinese marketplace. The joint venture will allow us to supply HPAs targeted at the electronics, automotive and telecommunications industries, at competitive prices. This joint venture is expected to be operational in the second half of 2003, subject to Chinese government approval.

On December 17, 2002 we announced that we are in the process of finalizing negotiations with the Internal Revenue Service (IRS) relative to our company-owned life insurance (COLI) program. The settlement contemplates a tax payment by us of approximately \$40 million to the IRS, which has been recorded as a liability in prior years. As a result, there is no financial accounting charge to earnings associated with this payment. We expect approximately \$20 million of this payment to be made in 2003 and the balance in future years. Concurrent with the settlement, we intend to surrender the life insurance policies purchased by the company under the program, which will result in the return of approximately \$30 million in cash from the insurance companies. The surrender of the policies resulted in a tax charge of \$10 million in 2002.

2001 Year

In June 2001, we acquired the stock of Monarch for approximately \$48 million. Monarch was a privately held, specialty copper alloy manufacturer headquartered in Waterbury, CT. It produces and distributes an array of high performance copper alloys and other materials used for applications in electronics, telecommunications, automotive products and building products.

In the third quarter of 2001, we recorded a pretax charge for restructuring and unusual items of \$29 million primarily for costs associated with a salaried workforce reduction through an early retirement incentive program. Cost of Goods Sold and Other Income included \$2 million and \$1 million, respectively, of unusual items. Cost of Goods Sold included the write-off of inventory associated with cancelled customer orders. Other Income included the write-off of an investment in an E-commerce company because the company declared bankruptcy and was dissolved and therefore had no future value. The third-quarter restructuring charge of \$26 million related to the 190 employees retiring in connection with the retirement program and represented primarily pension and postretirement benefit curtailment losses and severance.

In the fourth quarter of 2001, we recorded a restructuring charge of \$13 million pretax primarily for costs associated with idling our Indianapolis brass mill, consolidating distribution operations of the recently acquired Monarch with the A.J. Oster metals service center business, and reducing staffing levels in Chlor Alkali Products. A significant portion of the charge relating to the idling of the Indianapolis facility represented pension and postretirement curtailment losses and severance for 200 employees. Another portion of the charge related to 38 Chlor Alkali employees who accepted our offer of a voluntary special separation program whereby employees accept a voluntary lay off and receive full separation benefits and also receive their accrued pension benefits at the same time. The balance of the restructuring charge related to costs associated with the consolidation of certain Monarch facilities in order to optimize distribution operations.

In 2001, we were notified that we would receive shares of Prudential Insurance Company as a result of its decision to demutualize from a mutual company to a stock company. We recorded a gain of \$11 million in other income in 2001. We received the shares and immediately sold them in January 2002.

2000 Year

At midnight on December 3, 2000, a work stoppage began at the Metals and Winchester manufacturing facilities at East Alton, IL, after the union and we were unable to agree on a new labor contract. After several weeks of negotiations, the parties entered into a new labor contract and the union workers returned to work on January 23, 2001. The work stoppage had an adverse impact in 2000 and 2001 on the profitability of the Metals and Winchester operations, including product fulfillment issues, additional expenses and contract settlement costs.

In June 2000, we signed a letter of intent with Occidental Petroleum Corporation to combine the companies' chlor alkali and related businesses in a partnership. In October 2000, we announced that the letter of intent had expired. The partnership negotiations were discontinued primarily due to regulatory issues and certain other matters on which the parties could not agree.

CONSOLIDATED RESULTS OF OPERATIONS

	2002	2001	2000
	(\$ in millions, except per share data)		
Sales	\$ 1,301	\$ 1,271	\$ 1,549
Gross Margin	120	149	272
Selling and Administration	115	116	127
Restructuring Charge	—	39	—
Interest Expense, net	23	16	14
Other Income	3	22	3
Income (Loss) before Taxes	(27)	(13)	131
Net Income (Loss)	(31)	(9)	81
Diluted Net Income (Loss) Per Common Share	\$ (0.63)	\$ (0.22)	\$ 1.80

2002 Compared to 2001

Sales increased 2% primarily due to sales associated with our acquisition of both Chase and Monarch (6%) and increased volumes (2%), offset in part by lower selling prices (5%) and metal sales (1%). Chase was acquired in late September 2002, while Monarch was acquired in early June 2001. The increase in sales volumes was across all segments, in particular strip shipments to the ammunition, automotive and electronics segments. The price decreases were primarily related to lower ECU netbacks in the Chlor Alkali Products segment.

Gross margin percentage decreased from 11% in 2001 to 9% in 2002 primarily due to lower ECU prices.

Selling and administration as a percentage of sales were 9% in 2002 and 2001. Selling and administration expenses were comparable to 2001. Reduced salaries resulting from the early retirement incentive program and the voluntary separation program implemented in late 2001 and lower consumer promotional expenses offset lower pension income and higher legal expenses.

The decrease in operating losses from the non-consolidated affiliates was due primarily to improved operating results from the Sunbelt joint venture (2002—\$8 million loss; 2001—\$9 million loss) due to higher ECU pricing.

Interest expense, net of interest income, increased from 2001 due to higher average outstanding debt (\$5 million) relating primarily to the \$200 million that we borrowed in December 2001 and higher interest rates on our debt (\$4 million), partially offset by higher interest income (\$2 million) in 2002.

Other income decreased from 2001 primarily due to the gains on the demutualization of Prudential Insurance (\$11 million) and the sale of excess real estate (\$6 million) and a non-recurring fee payment (\$2 million), all of which were recorded in 2001.

The effective tax rate decreased in 2002 to a negative 15.6% from 30.8% in 2001. The tax benefit recorded on the loss in 2002 was less than the statutory rate because we recorded a tax provision of \$10 million in connection with the surrender of life insurance policies purchased by us under the COLI program and are accruing interest on taxes which may be payable in the future.

2001 Compared to 2000

Sales decreased 18% due to lower volumes (17%) and both lower metal values and selling prices (1%). Sales volumes were lower across all segments with the biggest impact coming from the Metals segment, which was heavily impacted by a soft economy, particularly in the automotive, electronics and telecommunications industries and to a lesser extent by the strike at the East Alton, IL facility in the first quarter of 2001. The price decrease was primarily related to lower prices in the Metals and Winchester segments.

Gross margin percentage decreased from 18% in 2000 to 12% in 2001 primarily due to lower sales volumes.

Selling and administration as a percentage of sales was 9% in 2001 up from 8% in 2000 due to the lower sales base in 2001 as a result of the factors noted above. Selling and administration was \$11 million lower than in 2000 primarily due to lower incentive compensation costs (\$15 million) and fees incurred in 2000 associated with the discontinued chlor alkali partnership negotiations (\$3 million), partially offset by lower 2001 pension income (\$2 million) and selling and administration expense (\$2 million) of Monarch, acquired in 2001.

The decrease in operating results from the non-consolidated affiliates was due primarily to the lower operating results from the Sunbelt joint venture (\$9 million loss in 2001; breakeven in 2000), which was adversely impacted by lower chlorine pricing.

In 2001, other income included the gains on the demutualization of Prudential Insurance of \$11 million and on the sale of excess real estate of \$6 million and a non-recurring fee payment of \$2 million.

The effective tax rate decreased to 30.8% from 38.2% due to operating losses, carryover of foreign tax rate differential and an increase in the valuation allowance.

SEGMENT OPERATING RESULTS

We define segment operating income as earnings before interest expense, interest income, other income, restructuring charge and unusual items and income taxes, and include the operating results of non-consolidated affiliates. Segment operating income includes an allocation of corporate operating expenses. Segment operating results in 2001 exclude the restructuring charge and unusual items (\$42 million, pretax).

Chlor Alkali Products

	2002	2001	2000
	(\$ in millions)		
Sales	\$ 321	\$ 384	\$ 392
Operating Income (Loss)	(35)	8	27

2002 Compared to 2001

Sales decreased 16% from 2001 primarily due to lower selling prices (18%), but offset in part by higher volumes (2%). Average ECU netbacks in 2002 were approximately \$235, compared to \$315 in 2001. The chlor alkali industry suffered through a difficult first half of 2002 and some high cost manufacturers decided to shut down capacity. During the third quarter of 2002, demand started to pick up and the industry was able to pass through several price increases. Improved demand and less overall capacity continued to support price increases through the rest of the year. Our operating rates improved until late in the year when seasonal slow downs and a sluggish economy forced us and other manufacturers to reduce production. Our operating rates for the full year 2002 were approximately 87% compared with 84% in 2001. Chlorine and caustic volumes were both higher in 2002 compared to 2001. Operating results were significantly lower in 2002 primarily due to lower prices (\$69 million), offset in part by higher volumes (\$8 million) and improved results from our Sunbelt joint venture (\$1 million) and lower costs (\$13 million). Lower losses from the Sunbelt joint venture (2002—\$8 million loss; 2001—\$9 million loss) were favorably impacted by higher ECU pricing. The losses from the Sunbelt joint venture include interest expense of \$7 million in 2002 and 2001 on the Sunbelt Notes. Profit improvement activities, lower steam cost, overall cost management and the voluntary separation program implemented at the end of 2001 contributed to these cost reductions. Also in the second quarter of 2002 we recorded a non-recurring pretax gain of \$4 million on an insurance settlement.

2001 Compared to 2000

Sales decreased 2% from 2000 primarily due to lower volumes (5%) offset in part by higher ECU netbacks (3%). Our average ECU netbacks in 2001 were approximately \$315, compared to \$300 in 2000. The chlor alkali industry participates in markets, such as vinyls, urethanes and pulp and paper, which have been negatively impacted by poor economic conditions. These markets have faced declining demand for their products, which in turn, negatively impacts our products. Soft demand for chlorine in these markets, caused primarily by the slowdown in the general economy, has led to reduced chlor alkali operating rates across the industry. This weak demand forced operating rates to decline to approximately mid to low 80% from 88% in 2000 and caused an erosion of chlorine's pricing structure. This contributed to the decline in sales and operating income in 2001. Also, operating income was lower in 2001 primarily due to lower sales volumes (\$14 million), higher manufacturing costs (\$5 million) and losses from the Sunbelt joint venture (\$9 million loss in 2001; breakeven in 2000) due to lower chlorine prices but offset in part by higher ECU netbacks (\$10 million). The increased manufacturing costs included higher salt costs and higher fixed cost absorption due to lower production volumes.

Metals

	2002	2001	2000
	(\$ in millions)		
Sales	\$ 697	\$ 618	\$ 880
Operating Income	14	7	95

2002 Compared to 2001

Sales increased 13% mainly as a result of the two acquisitions over the past two years. Sales from Monarch increased sales by 4% while Chase increased sales by 8% in 2002. Overall strip shipment volume increased by 5% from 2001 due to increased demand in the automotive, ammunition and electronic segments, offset in part by reduced demand from coinage. However, overall sales increased only 1%. The difference was the result of a shift in the mix of sales to lower metal value alloys, lower average metal selling prices and reduced conversion prices charged to customers. The decrease in the average metal selling price was mainly due to a 1.5% decrease in the average COMEX price for copper in 2002 from 2001.

Shipments to the automotive and ammunition segments each increased by 21% compared to last year. Shipments to the automotive segment increased in 2002 as we increased our penetration into this end-use category and an increase in automotive production in 2002. Shipments to the ammunition segment increased as a result of increased domestic military demand. Shipments to the electronics/telecommunications segment increased by 18% in 2002 compared with 2001 but were still down about 50% from the 1997 to 2000 average demand. Coinage shipments were down 39% from last year due to reduced demand from the U.S. Mint primarily related to decreased demand for the state quarter program, the lack of public acceptance of the \$1 Sacagawea coin and the continued general softness in the overall economy. In summary, although strip shipments were up in the automotive and electronics segments, this was offset by lower coinage shipments and by sales to the electronics segment that continue to be well below their historical norms.

Metals operating income was \$7 million higher in 2002 compared with 2001. Operating income benefited by the 5% increase over the previous year in strip volumes, as mentioned above; however, this benefit was partially offset by lower unit margins. Operating income was also favorably impacted by the inclusion of \$2 million of Chase profits and various cost reduction initiatives including the early retirement program and the consolidation of Monarch's distribution operations with A.J. Oster which, on a combined basis, amounted to about \$12 million in cost savings year over year. Partially offsetting the cost reduction initiatives and higher volumes in 2002 were increased pension and medical costs of about \$7 million. Finally, the 2001 results included a \$4 million LIFO inventory liquidation benefit offset by the negative impact of the East Alton work stoppage in 2001.

2001 Compared to 2000

Sales decreased 30% due to a significant decline in volumes (30%) associated with the weak economy and lower metal values (2%) and selling prices (1%), offset in part by the sales associated with the Monarch acquisition (3%). Metals' operating results were significantly lower primarily due to the economic slowdown, which resulted in substantially lower shipment levels. A weak economy prevailed all year resulting in a significant reduction of strip shipments to key market segments of our industry. Automotive, coinage, electrical connectors, telecommunications (segments served by Olin Aegis, our business that supplies customized and semi-customized metal packaging for hybrid integrated circuits and thick ceramic substrates for the electronics segment) and distributor (segments served by Oster, a network of metal service centers), customers had much lower demand for the industry's products. In 2001, strip shipments to the automotive and the coinage segments were lower than in 2000 by 24% and 41%, respectively. The lack of acceptance by the general public of the \$1 Sacagawea coin accounted for 35% of the decline in strip shipments to the coinage segment in 2001. Future demand is not expected to reach 2000 levels because of the current lack of \$1 coin requirements established by the United States Treasury. The decrease in strip shipments to the coinage segment was also caused by the decrease in demand for the state quarter program as the economy softened and coinage in general weakened, both of which are consistent with historical patterns. In addition, 2001 shipments to the electronics/telecommunications segment as a whole were lower than in 2000 by 53%. Sales from Oster were down 27% in 2001 from the prior year. In addition, the mill products operations in East Alton, IL took a two-week maintenance shutdown in 2001, with no similar shutdown in 2000. Also, the strike at our East Alton facility in the first quarter of 2001 had a moderately adverse impact on Metals' profits, while the reductions of LIFO inventory quantities in 2001 increased operating income by approximately \$4 million pretax.

Winchester

	2002	2001	2000
	(\$ in millions)		
Sales	\$ 283	\$ 269	\$ 277
Operating Income	14	7	20

2002 Compared to 2001

Sales in 2002 were 5% higher than 2001 primarily due to higher volumes (4%) and prices (1%) in the military and domestic commercial ammunition businesses. Winchester posted operating income of \$14 million in 2002 compared with \$7 million in 2001. The increase in sales accounted for most of the increase in operating income. The cost benefit realized in 2002 associated with the 2001 early retirement incentive program and the absence of the effect of the 2001 strike were offset by the absence of the 2001 non-recurring income from the settlement of a claim.

2001 Compared to 2000

Sales in 2001 were slightly lower than 2000 primarily due to lower international sales. International sales were \$8 million below last year's levels due to decreased foreign military business and unfavorable translation of Australian sales. Domestic commercial sales were comparable to last year despite overall lower selling prices and the effects of the strike at our East Alton facility in the first quarter. Our operating income decreased from \$20 million in 2000 to \$7 million in 2001. The loss of the Lake City government contract (approximately \$4 million), the impact of both the lower domestic commercial prices and the higher personnel-related costs as a result of the new labor agreement at the East Alton facility (\$8 million) and the impact of the strike (\$1 million) were the main contributors to this significant decrease in operating income.

2003 OUTLOOK

In the Chlor Alkali segment we are expecting both chlorine and caustic soda prices to increase from the fourth quarter of 2002 to the first quarter of 2003 as our contracts reflect previously announced price increases. We expect further selling price improvement in the second quarter of 2003. We expect operating rates to be in the 90% range in the first quarter of 2003 as demand for chlorine from the vinyl industry seasonally increases. By year end 2003, we expect operating rates to be in the 95% range. For the full year 2003, we are expecting a dramatic turnaround in our Chlor Alkali segment operating results compared to 2002, due to higher selling prices, increased volumes and continued cost reduction initiatives. Natural gas prices, which are a significant cost factor for some other chlor alkali producers, are not projected to be as significant a cost factor for us, because we buy our electricity from utilities that derive their power primarily from coal, nuclear and hydroelectric sources. Also, we expect to report improved operating results from our Sunbelt joint venture as the 2003 year progresses, due to rising selling prices.

In the Metals segment, 2003 will include a full year of earnings from Chase while Chase was just included in the fourth quarter in 2002. We expect that overall demand for our strip and rod products in 2003 will be increasing from fourth quarter 2002 levels, which were negatively impacted by our customers' desires to reduce inventories at the end of 2002. For the full year 2003, we believe the strip and rod volumes will improve only marginally over 2002.

In the first quarter 2003, we made a decision to close our manufacturing plant in Indianapolis, Indiana. The plant manufactures copper and copper alloy sheet and strip products and employs approximately 200 people. Production at the Indianapolis strip mill will be consolidated within our East Alton, Illinois facility. While the Indianapolis strip mill has been an important part of the Metals segment since its acquisition in 1988, reduced domestic consumption of strip products combined with capacity additions at East Alton have lessened the need to maintain the Indianapolis production base. As a result of this closure and certain other actions, we expect to record a restructuring charge in the \$50 million pretax range in the first quarter of 2003. We expect one-time cash costs to be in the \$10 million range. For the full year 2003, we expect to achieve pretax savings associated with this charge in the \$10 million range. The 2003 savings depend on the precise timing of the shutdown. At this time, we do not expect to see the full benefits of the savings until the second quarter of 2003. For 2004 we expect to have a full year's benefit from this \$50 million charge of approximately \$20 million pretax.

The closure of the Indianapolis facility, a marginally stronger brass strip market, continuing efforts to reduce costs across the Metals segment and the inclusion of the Chase earnings should result in significantly improved Metals segment operating results in 2003 compared to 2002.

For the full year 2003, we project that Winchester will have a solid year.

As a result of the foregoing, we expect to be profitable in 2003 because of higher selling prices in the Chlor Alkali segment and a lower cost base in the Metals segment.

For 2003 we expect that capital spending will be in the \$60 million range and depreciation and amortization will be in the \$85 million range. The capital spending estimate for 2003 includes about \$5 million in the Chase rod business and about \$3 million for the joint venture in China.

In 2003, we expect to continue to accrue interest on taxes that may become payable in the future which will result in an effective tax rate in the 45% range.

ENVIRONMENTAL MATTERS

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(\$ in millions)		
Cash Outlays:			
Remedial and Investigatory Spending (Charged to Reserve)	\$ 25	\$ 26	\$ 30
Capital Spending	3	3	3
Plant Operations (Charged to Cost of Goods Sold)	16	17	17
	<u> </u>	<u> </u>	<u> </u>
Total Cash Outlays	\$ 44	\$ 46	\$ 50
	<u> </u>	<u> </u>	<u> </u>
Reserve for Environmental Liabilities:			
Beginning Balance	\$ 100	\$ 110	\$ 125
Charges to Income	15	14	15
Businesses Acquired	8	2	—
Remedial and Investigatory Spending	(25)	(26)	(30)
	<u> </u>	<u> </u>	<u> </u>
Ending Balance	\$ 98	\$ 100	\$ 110
	<u> </u>	<u> </u>	<u> </u>

The establishment and implementation of federal, state and local standards to regulate air, water and land quality has affected and will continue to affect substantially all of our manufacturing locations. Federal legislation providing for regulation of the manufacture, transportation, use and disposal of hazardous and toxic substances, and remediation of contaminated sites, has imposed additional regulatory requirements on industry, particularly the chemicals industry. In addition, implementation of environmental laws, such as the Resource Conservation and Recovery Act and the Clean Air Act, has required and will continue to require new capital expenditures and will increase operating costs. We employ waste minimization and pollution prevention programs at our manufacturing sites.

We are party to various governmental and private environmental actions associated with waste disposal sites and manufacturing facilities. Associated costs of investigatory and remedial activities are provided for in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. Charges to income for investigatory and remedial efforts were material to operating results in 2002, 2001, and 2000 and may be material to net income in future years. Such charges to income were \$15 million, \$14 million and \$15 million in 2002, 2001, and 2000 respectively.

Cash outlays for remedial and investigatory activities associated with former waste sites and past operations were not charged to income but instead were charged to reserves established for such costs identified and expensed to income in prior years. Cash outlays for normal plant operations for the disposal of waste and the operation and maintenance of pollution control equipment and facilities to ensure compliance with mandated and voluntarily imposed environmental quality standards were charged to income. Total environmental-related cash outlays for 2003 are estimated to be \$50 million, of which \$28 million is expected to be spent on investigatory and remedial efforts, \$5 million on capital projects and \$17 million on normal plant operations. Historically, we have funded our environmental capital expenditures through cash flow from operations and expect to do so in the future.

Our estimated environmental liability at the end of 2002 was attributable to 65 sites, 16 of which were USEPA National Priority List (NPL) sites. Ten sites accounted for approximately 70% of such liability and, of the remaining sites, no one site accounted for more than 2% of our environmental liability. Four of these ten sites are in the investigatory stage of the remediation process. In this stage, remedial investigation and feasibility studies are being

conducted by us or other potentially responsible parties (PRPs) and a Record of Decision (ROD) or its equivalent has not been issued. At one of the ten sites, a ROD or its equivalent has been issued by either the USEPA or responsible state agency and we either alone, or as a member of a PRP group, are engaged in performing the remedial measures required by that ROD. At three of the ten sites, part of the site is subject to a ROD and another part is in the long-term Operation, Maintenance and Monitoring (OM&M) stage. The two remaining sites are in long-term OM&M. All ten sites are either former manufacturing facilities or waste sites containing contamination generated by those facilities.

Our consolidated balance sheets included liabilities for future environmental expenditures to investigate and remediate known sites amounting to \$98 million at December 31, 2002, and \$100 million at December 31, 2001, of which \$70 million and \$73 million were classified as other noncurrent liabilities, respectively. The 2002 environmental liabilities included \$8 million from the Chase acquisition. Those amounts did not take into account any discounting of future expenditures or any consideration of insurance recoveries or advances in technology. Those liabilities are reassessed periodically to determine if environmental circumstances have changed and/or remediation efforts and our estimate of related costs have changed. As a result of these reassessments, future charges to income may be made for additional liabilities.

Annual environmental-related cash outlays for site investigation and remediation, capital projects, and normal plant operations are expected to range between approximately \$40 million to \$50 million over the next several years, \$25 million to \$30 million of which is expected to be charged against reserves recorded on our balance sheet. While we do not anticipate a material increase in the projected annual level of our environmental-related costs, there is always the possibility that such increases may occur in the future in view of the uncertainties associated with environmental exposures. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other PRPs and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably against us, which could have a material adverse effect on our operating results and financial condition. At December 31, 2002, we estimate we may have additional contingent environmental liabilities of \$40 million in addition to the amounts for which we have already taken a reserve.

LIQUIDITY, INVESTMENT ACTIVITY AND OTHER FINANCIAL DATA

Cash Flow Data

<i>Provided By (Used For)</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
	(\$ in millions)		
Net Operating Activities	\$ 31	\$ 76	\$ 181
Capital Expenditures	(41)	(65)	(95)
Net Investing Activities	(13)	(111)	(88)
Net Financing Activities	(72)	143	(57)

In 2002, income exclusive of non-cash charges, proceeds from the refinancing of the tax-exempt debt, the issuance of common stock and cash equivalents on hand were used to finance our working capital requirements, capital and investment projects, dividends and long-term debt repayments (including tax-exempt debt).

Operating Activities

In 2002, the decrease in cash provided by operating activities was primarily attributable to lower operating results and a higher investment in working capital. The higher investment in working capital was attributable to the Metals segment where we are now selling more on a metal-price pass through basis rather than on a toll basis and therefore have to inventory more metal. In 2001, the reduced accounts receivable and inventory levels offset the impact of the liquidation of higher 2000 year-end accounts payable and accrued liability balances. The accounts

receivable and inventory levels were lower at the end of 2001 compared to the end of 2000 primarily due to the lower volume of Metals business as compared to 2000 and the declining prices and volumes in our Chlor Alkali business.

Capital Expenditures

Capital spending in 2002 of \$41 million was 37% lower than 2001. The capital spending decrease was primarily due to completion of projects that were begun in 2000, primarily to expand production capacity in Metals higher value-added product categories, in particular high performance alloys. These products are patented, specialty copper alloys that provide value-added benefits to global customers in the computer, telecommunications and automotive industries. This expansion was completed in the second half of 2001 with the majority of the spending occurring in 2000. In addition, all non-essential capital spending was curtailed in 2002 in response to the weak operating results. Capital spending in 2002 was approximately 47% of depreciation compared to 76% in 2001.

In 2003, we plan to manage our capital spending at a level approximating 70% of depreciation, or about \$60 million, an increase of approximately 46% over the 2002 amount. In 2003, we plan to spend approximately \$3 million in connection with our joint venture, a metals service center, in China.

Investing Activities

On September 27, 2002, we acquired 100% of the stock of Chase with the issuance of approximately 9.8 million shares of our common stock. The total consideration was approximately \$178 million, which represented the fair value of Olin common stock issued. Chase, with 2002 full-year sales of \$232 million, is a leading manufacturer and supplier of brass rod in the U.S. and Canada. The purchase price exceeded the fair value of the identifiable net assets acquired by \$40 million. The acquisition has been accounted for using the purchase method of accounting. Our 2002 operating results include the sales and profits for the fourth quarter of 2002 from Chase.

In January 2002, we received \$11.9 million for the sale of the stock of Prudential Insurance Company. We were awarded these shares of stock in 2001 as a result of Prudential's conversion from a mutual company to a stock company.

In our efforts to dispose of non-strategic, unproductive assets during a period of a soft economy and weak operating results, we sold the company-owned airplane. The disposition of property, plant and equipment in 2002 represents primarily the sale of the airplane at approximately book value.

The increase in 2002 for investments and advances in affiliated companies, at equity represents primarily our share of Sunbelt's repayment of its Series O Notes and related interest expense. In addition, we funded a portion of Sunbelt's operating losses in 2002.

In June 2001, we acquired the stock of Monarch for approximately \$48 million. Monarch was a privately held, specialty copper alloy manufacturer headquartered in Waterbury, CT, with revenues of approximately \$95 million in 2000. It produces and distributes an array of high performance copper alloys and other materials used for applications in electronics, telecommunications, automotive products and building products. As part of this acquisition, we acquired 7 U.S. patents. We financed the purchase price through our credit facilities. The purchase price exceeded the fair value of the identifiable net assets acquired by \$19 million. The acquisition has been accounted for using the purchase method of accounting. The operating results of Monarch, which have been included in the accompanying financial statements since the date of acquisition, were not material.

Financing Activities

On January 3, 2002, we entered into a new three-year senior revolving credit facility of \$140 million, including a sublimit for letters of credit. The new facility replaced our existing credit facilities and will expire on January 3, 2005. At December 31, 2002, we had \$119 million available under this senior revolving credit facility. We issued \$21 million of letters of credit under a subfacility for the purpose of supporting certain long-term debt and self-insurance obligations. We may select various floating rate borrowing options. The senior credit facility includes various customary restrictive covenants, including restrictions related to the ratio of debt to earnings before interest expense, taxes, depreciation and amortization (leverage ratio) and the ratio of earnings before interest expense, taxes, depreciation and amortization to interest expense (coverage ratio). In the event that the leverage ratio equals or

exceeds 3.75, we are required to grant a security interest in all of our U.S. inventory and accounts receivables. No assets of our subsidiaries will secure our obligation under our senior credit facility.

In December 2001, we sold \$200 million of 9.125% Senior Notes with a maturity date of December 15, 2011. We used \$100 million from the proceeds of the offering to repay the \$100 million 8% notes in June 2002.

In March 2002, we also refinanced \$35 million of tax-exempt debt to create additional capacity under our revolving credit facility by eliminating the need for an equivalent amount of letters of credit.

In January 2003, we renegotiated our \$11 million note due 2005. The maturity date was extended to 2013 and the interest rate was reduced from 7.75% to 6.5%, effective January 1, 2003.

During 2002, 2001 and 2000, we used \$3 million, \$14 million and \$20 million to repurchase 0.1 million, 0.7 million and 1.2 million shares of our stock, respectively. In 1996, we sold our toluene diisocyanate and aliphatic diisocyanate businesses to ARCO Chemical Company for a sale price of \$565 million. Our board of directors decided to use a portion of the proceeds for the repurchase of shares of the Corporation's common stock in order to enhance shareholder value. On October 9, 1996 and April 30, 1998, our board of directors approved two share repurchase programs to repurchase a total of 10 million shares of our outstanding common stock, of which approximately 154,000 shares remained to be repurchased as of December 31, 2002.

In March 2002, we issued and sold 3,302,914 shares of common stock at a public offering price of \$17.50. Net proceeds from this sale were approximately \$56 million and provide liquidity and financial flexibility, and strengthen our financial position. The net proceeds are available for general corporate purposes.

During 2002, we issued 1,039,259 shares of common stock with a total value of \$18 million to the Contributing Employee Ownership Plan. These shares were issued to satisfy the investment in our common stock resulting from employee contributions, our matching contributions and re-invested dividends.

The percent of total debt to total capitalization decreased to 59% at December 31, 2002, from 61% at year-end 2001 and was 41% at year-end 2000. The decrease in 2002 from 2001 was due to the repayment of the \$100 million 8% notes offset in part by the effect of the lower shareholders' equity at December 31, 2002. The increase in 2001 from year-end 2000 was due to the new 9.125% Senior Note borrowings and lower shareholders' equity at December 31, 2001.

Dividends per common share were \$0.80 in 2002, 2001 and 2000. Total dividends paid on common stock amounted to \$39 million in 2002, \$35 million in 2001 and \$36 million in 2000.

The payment of cash dividends is subject to the discretion of our board of directors and will be determined in light of then-current conditions, including our earnings, our operations, our financial conditions, our capital requirements and other factors deemed relevant by our board of directors. In the future, our board of directors may change our dividend policy, including the frequency or amount of any dividend, in light of then-existing conditions.

LIQUIDITY AND OTHER FINANCING ARRANGEMENTS

Our principal sources of liquidity are from cash and cash equivalents, short-term investments, cash flow from operations and short-term borrowings under our senior revolving credit facility. We also have access to the debt and equity markets.

Cash flow from operations is subject to change as a result of the cyclical nature of our operating results, which have been affected recently by economic cycles and resulting downturn in many of the industries we serve, such as automotive, electronics and the telecommunications sectors. In addition, cash flow from operations is affected by considerable changes in ECU prices caused by the changes in the supply/demand balance of chlorine and caustic, resulting in the chlor alkali business having tremendous leverage on our earnings. A \$10 per ECU price change equates to an \$11 million pretax profit change when we are operating at full capacity.

Our current debt structure is used to fund our business operations and commitments from banks under our revolving credit facility are a source of liquidity. As of December 31, 2002, we had long-term borrowings, including the current installment, of \$330 million of which \$1 million was at variable rates. We have entered into interest rate swaps on approximately \$140 million of our underlying debt obligations whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. Annual maturities of long-term debt are \$2 million in 2003; \$27 million in 2004; \$52 million in 2005, \$1 million in 2006; \$2 million in 2007 and \$246 million thereafter.

We use operating leases for certain properties, such as railroad cars, distribution, warehousing and office space, data processing and office equipment. Leases covering these properties generally contain escalation clauses (except for railroad cars) based on increased costs of the lessor, for primarily property taxes, maintenance and insurance and have renewal or purchase options. Future minimum rent payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2002 are as follows: \$22 million in 2003; \$21 million in 2004; \$19 million in 2005; \$17 million in 2006; \$15 million in 2007 and a total of \$70 million thereafter. Assets under capital leases are not significant.

On December 31, 1997, we entered into a long-term, sulfur dioxide supply agreement with Alliance Specialty Chemicals, Inc. (Alliance), formerly known as RFC SO₂, Inc. Alliance has the obligation to deliver annually 36,000 tons of sulfur dioxide. Alliance owns the sulfur dioxide plant, which is located at our Charleston, TN facility and is operated by us. The price for the sulfur dioxide is fixed over the life of the contract and, under the terms of the contract, we are obligated to make a monthly payment of approximately \$.2 million regardless of the amount of sulfur dioxide purchased. Commitments related to this agreement are approximately \$2 million per year for each year of 2003 through 2006 and a total of \$10 million thereafter.

We utilize a credit facility, standby letters of credit and guarantees. In January 2002, we entered into a new senior revolving credit facility with a group of banks. This credit facility is described above under the caption, "Financing Activities". As of December 31, 2002, we did not have any outstanding borrowings under this credit facility.

At December 31, 2002, we had outstanding standby letters of credit of \$21 million. These letters of credit were used to support certain long-term debt and self-insurance obligations.

In December 2002, we registered \$400 million of securities with the Securities and Exchange Commission whereby from time to time, we may issue debt securities, preferred stock and/or common stock and associated warrants. At December 31, 2002, the entire \$400 million was available for issuance.

We and our partner, PolyOne Corporation (PolyOne) own equally the Sunbelt Chlor Alkali Partnership (Sunbelt joint venture). We market all of the caustic soda production for the venture, while 250 thousand tons of the chlorine production is required to be purchased by Oxy Vinyls (a joint venture between OxyChem and PolyOne) based on a formula related to the market price of chlorine. The construction of this plant and equipment was financed by the issuance of \$195 million of Guaranteed Senior Secured Notes due 2017. The Sunbelt joint venture sold \$97.5 million of Guaranteed Senior Secured Notes due 2017, Series O, and \$97.5 million of Guaranteed Senior Secured Notes due 2017, Series G. We refer to these notes as the Sunbelt Notes. The Sunbelt Notes bear interest at a rate of 7.23% per annum payable semiannually in arrears on each June 22 and December 22.

We have guaranteed the Series O Notes, and PolyOne has guaranteed the Series G Notes, in both cases pursuant to customary guaranty agreements. Our guarantee and PolyOne's guarantee are several, rather than joint. Therefore, we are not required to make any payments to satisfy the indebtedness of PolyOne. An insolvency or bankruptcy of PolyOne will not automatically trigger acceleration of the Sunbelt Notes or cause us to be required to make payments under our guarantee, even if PolyOne is required to make payments under its guarantee. However, if the Sunbelt joint venture does not make timely payments on the Sunbelt Notes, whether as a result of a failure to pay on a guarantee or otherwise, the holders of the Sunbelt Notes may proceed against the assets of the Sunbelt joint venture for repayment.

Beginning on December 22, 2002 and each year thereafter until maturity of the Sunbelt Notes in 2017, our Sunbelt joint venture is required to repay approximately \$12 million of the Notes, of which approximately \$6 million is attributable to the Series O Notes. After the payment of \$6.1 million on the Series O Notes in December 2002, our guarantee of these notes was \$91.4 million at December 31, 2002. In the event our Sunbelt joint venture cannot make

any of these payments, we would be required to fund our half of such payment. In certain other circumstances, we may also be required to repay the Sunbelt Notes prior to their maturity. We and PolyOne have agreed that, if we or PolyOne intend to transfer our respective interests in the Sunbelt joint venture and the transferring party is unable to obtain consent from holders of 80% of the aggregate principal amount of the indebtedness related to the guarantee being transferred after good faith negotiations, then we and PolyOne will be required to repay our respective portions of the Sunbelt Notes. In such event, any make whole or similar penalties or costs will be paid by the transferring party.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Significant estimates in our consolidated financial statements include environmental, restructuring and other unusual items, litigation, income tax reserves including deferred tax asset valuation allowance, pension, postretirement and other benefits and allowance for doubtful accounts. We base our estimates on prior experience, facts and circumstances and other assumptions that we believe to be reasonable. Actual results may differ from these estimates.

We believe the determination of our environmental cost accruals is a critical accounting policy. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessments and remediation efforts progress or additional technical or legal information becomes available.

Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably against us, which could have a material adverse effect on our operating results and financial condition.

NEW ACCOUNTING STANDARDS

As of January 1, 2001, we adopted Statement of Financial Accounting Standards, (SFAS), No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138. See our description of Derivative Financial Instruments below for additional information.

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies certain criteria that must be met in order for intangible assets acquired in a purchase method business combination to be recognized and reported apart from goodwill. We adopted the provisions of SFAS No. 141 on July 1, 2001.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which became effective and was adopted by us on January 1, 2002. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of this statement. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." Accordingly, we ceased amortizing goodwill totaling \$42 million as of January 1, 2002. We completed an initial impairment review of our goodwill balance during the second quarter of 2002 and determined an impairment charge was not required.

If SFAS No. 142 had been in effect for the years ended December 31, 2001 and 2000, net income (loss) of \$(9) million and \$81 million would have been \$(8) million and \$82 million respectively, representing the elimination of goodwill amortization. For the years ended December 31, 2001 and 2000 reported basic and diluted net income (loss) per share of \$(0.22) and \$1.80 would have been \$(0.19) and \$1.82 respectively.

In June 2000, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that the fair value of a liability for an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for fiscal years beginning after June 30, 2002; accordingly, we will adopt this standard in the first quarter of 2003. At this time, it is not practical to reasonably estimate the impact of adopting this statement on our financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. This statement requires that one accounting model be used for long-lived assets to be disposed of by sale whether previously held and used or newly acquired. In addition, it broadened the presentation of discontinued operations to include more disposal transactions. This statement is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. At the time of adoption on January 1, 2002, this statement did not have a material impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses the accounting and reporting for costs associated with restructuring activities. This new standard changes the timing of the recognition of restructuring charges. Liabilities for restructuring costs will be required to be recognized when the liability is incurred rather than when we commit to the plan. SFAS No. 146 is effective for restructuring activity initiated after December 31, 2002; accordingly, we will adopt this standard in the first quarter of 2003.

DERIVATIVE FINANCIAL INSTRUMENTS

In 1998, the FASB issued Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities." It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The implementation date of this statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. We adopted FASB No. 133 on January 1, 2001, and use hedge accounting treatment for substantially all of our business transactions whose risks are covered using derivative instruments. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivatives designated as a fair value hedge, the changes in the fair value of both the derivative and the hedged item are recognized in earnings. For derivatives designated as a cash flow hedge, the change in fair value of the derivative is recognized in other comprehensive income until the hedged item is recognized in earnings. Ineffective portions are recognized currently in earnings. Unrealized gains and losses on derivatives not qualifying for hedge accounting are recognized currently in earnings. Upon adoption of this statement, we recorded on January 1, 2001, assets totaling \$1 million and liabilities totaling \$2 million with an offsetting entry to Accumulated Other Comprehensive Income (Loss). The new standard does not allow for the hedge accounting treatment on the portion of any hedge that is not effective. The ineffectiveness, which was recorded at January 1, 2001, was a loss of less than \$1 million.

We account for forward contracts to buy and sell foreign currencies under SFAS No. 52, "Foreign Currency Translation" and futures contracts to reduce the impact of metal price fluctuations under SFAS No. 80, "Accounting for Futures Contracts." We enter into forward sales and purchase contracts to manage currency risk resulting from purchase and sale commitments denominated in foreign currencies (principally Australian dollar and Canadian dollar). All of the currency derivatives expire within one year and are for United States dollar equivalents. At December 31, 2002 we had a forward contract to buy a foreign currency with a face value of \$4 million and no forward contracts to sell foreign currencies. At December 31, 2001, we had no forward contracts to buy or sell foreign currencies. The fair market value of the forward contract to buy at December 31, 2002 approximated the carrying value. The counterparty to the forward contract is a major financial institution. The risk of loss to us in the event of nonperformance by a counterparty would not be significant to our financial position or results of operations. Foreign currency exchange

gains (losses), net of taxes, were less than \$(1) million in 2002 and 2001 and less than \$1 million in 2000. At December 31, 2002, we had open positions in futures contracts totaling \$33 million (2001—\$47 million). If the futures contracts had been settled on December 31, 2002, we would have recognized a loss of \$2 million. Gains (losses) on futures contracts, net of taxes, were \$1 million in 2002, \$(6) million in 2001 and less than \$1 million in 2000.

We use cash flow hedges of commodities such as copper, zinc, nickel and lead to provide a measure of stability in managing our exposure to price fluctuations. We use interest rate swaps as a means of managing interest rates on our outstanding debt obligations. These interest rate swaps are treated as fair value hedges.

At December 31, 2002 and 2001, Accumulated Other Comprehensive Income (Loss) included a pretax decline in fair value of \$2 million and \$3 million, respectively. In addition, the unfavorable ineffective portion of changes in fair value resulted in a \$1 million charge to earnings for the years ended December 31, 2002 and 2001. Offsetting the above, there were assets totaling \$18 million (2001—\$1 million) and liabilities of \$21 million (2001—\$5 million).

Our foreign currency forward contracts and certain commodity derivatives did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. The cumulative effect of items not qualifying for hedge accounting for 2002 was not material to earnings.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of our business operations due to our operations in different foreign currencies, our purchases of certain commodities, and our ongoing investing and financing activities. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies and procedures governing our management of market risks and the use of financial instruments to manage exposure to such risks.

Certain raw materials, namely copper, lead, and zinc used primarily in our Metals and Winchester segments' products are subject to price volatility. Depending on market conditions, we may enter into futures contracts and put and call option contracts in order to reduce the impact of metal price fluctuations. As of December 31, 2002, we maintained open positions on futures contracts totaling \$33 million (\$47 million at December 31, 2001). Assuming a hypothetical 10% increase in commodity prices, which are currently hedged, we would experience a \$3 million (\$5 million at December 31, 2001) increase in our cost of inventory purchased, which would be offset by a corresponding increase in the value of related hedging instruments.

We are exposed to changes in interest rates primarily as a result of our investing and financing activities. Investing activity is not material to our consolidated financial position, results of operations, or cash flow. Our current debt structure is used to fund business operations and commitments from banks under our revolving credit facility are a source of liquidity. As of December 31, 2002, we had long-term borrowings of \$330 million (\$431 million at December 31, 2001) of which \$1 million (\$36 million at December 31, 2001) was issued at variable rates. As a result of our recent fixed rate financings, we entered into floating interest rate swaps in order to manage interest expense and floating interest rate exposure to optimal levels. We have entered into approximately \$140 million of such swaps, whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. In all cases the underlying index for the variable rates is six-month London InterBank Offered Rate (LIBOR). Accordingly, payments are settled every six months and the term of the swap is the same as the underlying debt instrument.

In December 2001, we swapped interest payments on \$50 million principal amount of our 9.125% Senior Notes to a floating rate (4.888% at December 31, 2002). In February and March 2002, we swapped interest payments on \$30 million and \$25 million principal amount, respectively, of our 9.125% Senior Notes to floating rates. Terms of these swaps set the floating rate at the end of each six-month reset period. Therefore, the interest rates for the current period will be set on June 16, 2003. We estimate that the rates will be between 4% and 5%.

In March 2002, we refinanced four variable-rate tax-exempt debt issues totalling \$35 million. The purpose of the refinancings was to eliminate the need for letter of credit support that used our liquidity. In order to manage interest expense and floating interest rate exposure to optimal levels, we swapped the fixed rate debt of the newly refinanced bonds back to variable rate debt through interest rate swaps. The interest rate on the swap of \$8 million will be set on April 1, 2003 and is expected to be between 1.0% and 1.5%, while at December 31, 2002 interest rates on the swaps of \$21 million and \$6 million were 2.01% and 2.15%, respectively.

These interest rate swaps reduced interest expense, resulting in a decrease in pretax loss of \$5 million and \$1 million in 2002 and 2001, respectively.

If the actual change in interest or commodities pricing is substantially different than expected, the net impact of interest rate risk or commodity risk on our cash flow may be materially different than that disclosed above.

We do not enter into any derivative financial instruments for speculative purposes.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS:

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on management's beliefs, certain assumptions made by management, forecasts of future results, and current expectations, estimates and projections about the markets and economy in which we and our various segments operate. The statements contained in this report that are not statements of historical fact may include forward-looking statements that involve a number of risks and uncertainties.

We have used the words "anticipate," "intend," "may," "expect," "believe," "should," "plan," "will," "estimate," and variations of such words and similar expressions in this report to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control. Therefore, actual outcomes and results may differ materially from those matters expressed or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

The risks, uncertainties and assumptions involved in our forward-looking statements include those discussed under the caption "Additional Factors That May Affect Future Results." You should consider all of our forward-looking statements in light of these factors. In addition, other risks and uncertainties not presently known to us or that we consider immaterial could affect the accuracy of our forward-looking statements.

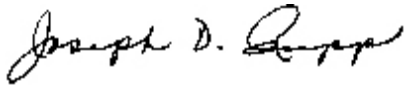
MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management is responsible for the preparation and integrity of the accompanying consolidated financial statements. These financial statements have been prepared in conformity with generally accepted accounting principles and, where necessary, involve amounts based on management's best judgments and estimates. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the financial statements.

The Company's system of internal controls is designed to provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. This system, which is reviewed regularly, consists of written policies and procedures, an organizational structure providing delegation of authority and segregation of responsibility and is monitored by an internal audit department. The Company's independent auditors also review and test the internal control system along with tests of accounting procedures and records to the extent that they consider necessary in order to issue their opinion on the financial statements. Management believes that the system of internal accounting controls meets the objectives noted above.

Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. These expectations are summarized in a document entitled "Our Values and Standards of Business Conduct." The Standards addresses, among other things, honest and ethical conduct in all business transactions; compliance with company policies and procedures and with all government laws and regulations; the avoidance of conflicts of interest; full, fair, accurate, timely and understandable disclosure in all reports and communications; and the prompt reporting of violations of Olin's Standards. Every employee is expected to comply with the standards and annually selected employees, including Olin senior management, certify their adherence to these Standards. The Standards are periodically reinforced through training sessions. Also, the Company maintains a systematic program to assess compliance with these standards and has established various outlets, including a confidential telephone help-line for employees to ask questions and share concerns, anonymously, if desired.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management and the Company's internal auditors to review the work of each and to evaluate accounting, auditing, internal controls and financial reporting matters. The Audit Committee annually recommends to the Board of Directors the appointment of independent auditors, subject to shareholder approval. The independent auditors and the Company's internal audit department have independent and free access to the Audit Committee.



Joseph D. Rupp
President and Chief Executive Officer



Anthony W. Ruggiero
Executive Vice President and
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Olin Corporation:

We have audited the accompanying consolidated balance sheets of Olin Corporation and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Olin Corporation and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Stamford, Connecticut
January 30, 2003

CONSOLIDATED BALANCE SHEETS
December 31
(\$ in millions, except per share data)

	<u>2002</u>	<u>2001</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 111	\$ 165
Short-Term Investments	25	37
Receivables, Net:		
Trade	153	129
Other	15	11
Inventories, Net	255	223
Income Taxes Receivable	9	7
Other Current Assets	70	44
	<u>638</u>	<u>616</u>
Property, Plant and Equipment, Net	552	477
Prepaid Pension Costs	106	61
Other Assets	46	23
Goodwill	82	42
	<u>1,424</u>	<u>1,219</u>
Total Assets	\$1,424	\$1,219
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current Installments of Long-Term Debt	\$ 2	\$ 102
Accounts Payable	110	97
Accrued Liabilities	145	136
	<u>257</u>	<u>335</u>
Total Current Liabilities	257	335
Long-Term Debt	328	329
Deferred Income Taxes	—	72
Accrued Pension Liability	445	45
Other Liabilities	163	167
	<u>1,193</u>	<u>948</u>
Total Liabilities	1,193	948
Commitments and Contingencies		
Shareholders' Equity:		
Common Stock, Par Value \$1 Per Share:		
Authorized, 120,000,000 Shares		
Issued and Outstanding 57,622,675 Shares (43,440,223 in 2001)	57	43
Additional Paid-In Capital	442	205
Accumulated Other Comprehensive Loss	(239)	(18)
Retained Earnings (Accumulated Deficit)	(29)	41
	<u>231</u>	<u>271</u>
Total Shareholders' Equity	231	271
Total Liabilities and Shareholders' Equity	\$1,424	\$1,219

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31
(\$ in millions, except per share data)

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Sales	\$1,301	\$1,271	\$1,549
Operating Expenses:			
Cost of Goods Sold	1,181	1,122	1,277
Selling and Administration	115	116	127
Research and Development	5	5	5
Restructuring Charge	—	39	—
Earnings (Loss) of Non-consolidated Affiliates	(7)	(8)	2
Interest Expense	26	17	16
Interest Income	3	1	2
Other Income	3	22	3
	<u> </u>	<u> </u>	<u> </u>
Income (Loss) before Taxes	(27)	(13)	131
Income Tax Provision (Benefit)	4	(4)	50
	<u> </u>	<u> </u>	<u> </u>
Net Income (Loss)	<u>\$ (31)</u>	<u>\$ (9)</u>	<u>\$ 81</u>
Net Income (Loss) Per Common Share:			
Basic	\$ (0.63)	\$ (0.22)	\$ 1.80
	<u> </u>	<u> </u>	<u> </u>
Diluted	\$ (0.63)	\$ (0.22)	\$ 1.80
	<u> </u>	<u> </u>	<u> </u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(\$ in millions, except per share data)

	<i>Common Stock</i>		<i>Additional Paid-In Capital</i>	<i>Accumulated Other Comprehensive (Loss)</i>	<i>Retained Earnings (Accumulated Deficit)</i>	<i>Total Shareholders' Equity</i>
	<i>Shares Issued</i>	<i>Par Value</i>				
Balance at January 1, 2000	45,061,896	\$ 45	\$ 234	\$ (10)	\$ 40	\$ 309
Comprehensive Income (Loss):						
Net Income	—	—	—	—	81	81
Translation Adjustment	—	—	—	(3)	—	(3)
Minimum Pension Liability Adjustment, net	—	—	—	(3)	—	(3)
Comprehensive Income	—	—	—	—	—	75
Dividends Paid:						
Common Stock (\$0.80 per share)	—	—	—	—	(36)	(36)
Stock Options Exercised	67,111	—	1	—	—	1
Stock Repurchase	(1,162,297)	(1)	(19)	—	—	(20)
Other Transactions	13,731	—	—	—	—	—
Balance at December 31, 2000	43,980,441	44	216	(16)	85	329
Comprehensive Loss:						
Net Loss	—	—	—	—	(9)	(9)
Translation Adjustment	—	—	—	(1)	—	(1)
Net Unrealized Losses	—	—	—	(1)	—	(1)
Comprehensive Loss	—	—	—	—	—	(11)
Dividends Paid:						
Common Stock (\$0.80 per share)	—	—	—	—	(35)	(35)
Stock Options Exercised	161,093	—	2	—	—	2
Stock Repurchase	(694,870)	(1)	(13)	—	—	(14)
Other Transactions	(6,441)	—	—	—	—	—
Balance at December 31, 2001	43,440,223	43	205	(18)	41	271
Comprehensive Loss:						
Net Loss	—	—	—	—	(31)	(31)
Translation Adjustment	—	—	—	(1)	—	(1)
Minimum Pension Liability Adjustment, net	—	—	—	(220)	—	(220)
Comprehensive Loss	—	—	—	—	—	(252)
Dividends Paid:						
Common Stock (\$0.80 per share)	—	—	—	—	(39)	(39)
Common Stock Issued for:						
Stock Options Exercised	174,069	—	3	—	—	3
Cash	3,302,914	3	53	—	—	56
Acquisition	9,815,287	10	168	—	—	178
Employee Benefit Plans	1,039,259	1	17	—	—	18
Stock Repurchase	(144,157)	—	(3)	—	—	(3)
Other Transactions	(4,920)	—	(1)	—	—	(1)
Balance at December 31, 2002	57,622,675	\$ 57	\$ 442	\$ (239)	\$ (29)	\$ 231

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31
(\$ in millions)

	2002	2001	2000
	<u> </u>	<u> </u>	<u> </u>
Operating Activities			
Net Income (Loss)	\$ (31)	\$ (9)	\$ 81
Adjustments to Reconcile Net Income (Loss) to Net Cash and Cash			
Equivalents Provided by Operating Activities:			
Loss (Earnings) of Non-consolidated Affiliates	7	8	(2)
Depreciation	87	85	79
Amortization of Intangibles	1	2	2
Deferred Taxes	20	(9)	17
Qualified Pension Plan (Income)	(9)	(4)	(30)
Common Stock Issued under Employee Benefit Plans	5	—	—
Other (Income)-Demutualization	—	(11)	—
Change in Assets and Liabilities Net of Purchases and Sales of Businesses:			
Receivables	(2)	69	—
Inventories	(17)	15	(8)
Other Current Assets	(16)	(3)	1
Accounts Payable and Accrued Liabilities	(9)	(54)	25
Income Taxes Payable	(2)	(8)	30
Other Noncurrent Liabilities	(11)	(2)	(14)
Other Assets	9	(2)	(1)
Other Operating Activities	(1)	(1)	1
	<u> </u>	<u> </u>	<u> </u>
Net Operating Activities	31	76	181
	<u> </u>	<u> </u>	<u> </u>
Investing Activities			
Capital Expenditures	(41)	(65)	(95)
Business Acquired in Purchase Transaction	—	(48)	—
Cash Acquired through Business Acquisition	13	—	—
Proceeds from Sale of Short-Term Investments	12	—	—
Disposition of Property, Plant and Equipment	15	3	1
Investments and Advances—Affiliated Companies at Equity	(11)	—	10
Other Investing Activities	(1)	(1)	(4)
	<u> </u>	<u> </u>	<u> </u>
Net Investing Activities	(13)	(111)	(88)
	<u> </u>	<u> </u>	<u> </u>
Financing Activities			
Long-Term Debt:			
Borrowings	35	200	—
Repayments	(136)	(8)	(1)
Short-Term Debt Repayments	—	(2)	—
Issuance of Common Stock	69	—	—
Purchases of Olin Common Stock	(3)	(14)	(20)
Stock Options Exercised	3	2	1
Dividends Paid	(39)	(35)	(36)
Other Financing Activities	(1)	—	(1)
	<u> </u>	<u> </u>	<u> </u>
Net Financing Activities	(72)	143	(57)
	<u> </u>	<u> </u>	<u> </u>
Net (Decrease) Increase in Cash and Cash Equivalents	(54)	108	36
Cash and Cash Equivalents, Beginning of Year	165	57	21
	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents, End of Year	\$ 111	\$ 165	\$ 57
	<u> </u>	<u> </u>	<u> </u>
Cash Paid (Received) for Interest and Income Taxes:			
Interest	\$ 26	\$ 18	\$ 16
Income Taxes, Net of Refunds	\$ (15)	\$ 11	\$ 2
	<u> </u>	<u> </u>	<u> </u>

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except share data)

ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements include the accounts of Olin Corporation and all majority-owned subsidiaries. Investments in 20-50% owned affiliates are accounted for on the equity method. Accordingly, we include only our share of earnings or losses of these affiliates in consolidated net income.

Revenue Recognition

Revenues are recognized on sales of product at the time the goods are shipped and the risks of ownership have passed to the customer. Shipping and handling fees billed to customers are included in Sales and the costs incurred for shipping and handling are included in Cost of Goods Sold. A portion of the sales in the Metals segment are made on a "tolling" basis where the customer consigns non-ferrous metals to us and is only charged a fee for processing the non-ferrous metals into finished product. For tolling sales, the metal value is not included in Sales or Cost of Goods Sold.

Foreign Currency Translation

Foreign affiliates' balance sheet amounts are translated at the exchange rates in effect at year-end, and income statement amounts are translated at the average rates of exchange prevailing during the year. Translation adjustments are included in Accumulated Other Comprehensive Income (Loss). Where foreign affiliates operate in highly inflationary economies, non-monetary amounts are translated at historical exchange rates while monetary assets and liabilities are translated at the current rate with the related adjustments reflected in the Consolidated Statements of Income.

Cash and Cash Equivalents

All highly liquid investments, with a maturity of three months or less at the date of purchase, are considered to be cash equivalents.

Short-Term Investments

Marketable securities are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." We have classified our marketable equity securities as available-for-sale which are reported at fair market value with unrealized gains and losses included in Shareholders' Equity net of applicable taxes. The fair value of marketable securities is determined by quoted market prices. Unrealized gains and losses in 2002 were insignificant; unrealized gains in 2001 were \$1. Realized gains and losses on sales of investments, as determined on the specific identification method and declines in value of securities judged to be other-than-temporary are included in Other Income in the Consolidated Statements of Income. Interest and dividends on all securities are included in Interest Income and Other Income, respectively.

All investments which have maturities between three and twelve months at purchase, are considered short-term investments and consist of debt securities such as commercial paper, time deposits, certificates of deposit, bankers acceptances, repurchase agreements, and marketable direct obligations of the United States Treasury and its agencies.

Inventories

Inventories are valued principally by the dollar value last-in, first-out (LIFO) method of inventory accounting; such valuations are not in excess of market. Cost for other inventories has been determined principally by the average-cost and first-in, first-out (FIFO) methods. Elements of costs in inventories include raw materials, direct labor and manufacturing overhead.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Start-up costs are expensed as incurred. Our policy with respect to our assessment of the potential impairment of long-lived assets is included in the Goodwill section below.

Comprehensive Income

We calculated comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income." Accumulated Other Comprehensive Income (Loss) at December 31, 2002 includes cumulative translation losses of \$13 (\$12 at December 31, 2001), minimum pension liability of \$225 (\$5 at December 31, 2001) and other unrealized losses of \$1 (\$1 at December 31, 2001). We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

Goodwill

Prior to the adoption of SFAS No. 142 (described below), goodwill, the excess of the purchase price of the acquired businesses over the fair value of the respective net assets, was amortized principally over 30 years on a straight-line basis. We periodically review the value of our goodwill to determine if any impairment has occurred. We assess the potential impairment of recorded goodwill and other long-lived assets by comparing the undiscounted value of expected future operating cash flows in relation to the book value of the goodwill and related long-lived assets. An impairment would be recorded based on the estimated fair value.

During the third quarter of 2001, Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of this statement. Goodwill amortization for the year ended December 31, 2001 was approximately \$2. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Commencing January 1, 2002, we no longer amortize goodwill and adopted the provision of SFAS No. 142.

Environmental Liabilities and Expenditures

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessment and remediation efforts progress or additional technical or legal information becomes available. Environmental remediation costs are charged to expense as incurred. Environmental costs are capitalized if the costs increase the value of the property and/or mitigate or prevent contamination from future operations.

Income Taxes

Deferred taxes are provided for differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Derivative Financial Instruments

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The implementation date of this statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. We adopted SFAS No. 133 on January 1, 2001, and use hedge accounting treatment for substantially all of our business transactions whose risks are covered using derivative instruments. The hedge accounting treatment provides for the deferral of gains or losses on derivative instruments until such time as the related transactions occur. Upon adoption of this statement, we recorded on January 1, 2001, assets totaling \$1 and liabilities totaling \$2 with an offsetting entry to Accumulated Other Comprehensive Income (Loss). The new standard does not allow for hedge accounting treatment on the portion of any hedge that is not effective. The ineffectiveness, which was recorded at January 1, 2001 was a loss of less than \$1.

We account for forward contracts to buy and sell foreign currencies under SFAS No. 52, "Foreign Currency Translation" and futures contracts to reduce the impact of metal price fluctuations under SFAS No. 80, "Accounting for Futures Contracts." We enter into forward sales and purchase contracts to manage currency risk resulting from purchase and sale commitments denominated in foreign currencies (principally Australian dollar and Canadian dollar). All of the currency derivatives expire within one year and are for United States dollar equivalents. At December 31, 2002 we had a forward contract to buy a foreign currency with a face value of \$4 and no forward contract to sell foreign currencies. At December 31, 2001 we had no foreign contracts to buy or sell foreign currencies. The fair market value of the forward contract to buy at December 31, 2002 approximated the carrying value. The counterparty to the forward contract is a major financial institution. The risk of loss to us in the event of nonperformance by the counterparty would not be significant to our financial position or results of operations. Foreign currency exchange gains (losses), net of taxes, were less than \$(1) in 2002 and 2001 and less than \$1 in 2000. At December 31, 2002, we had open positions in futures contracts totaling \$33 (2001-\$47). If the futures contracts had been settled on December 31, 2002, we would have recognized a loss of \$2. Gains (losses) on futures contracts, net of taxes, were \$1 in 2002, \$(6) in 2001 and less than \$1 in 2000.

We use cash flow hedges of commodities such as copper, zinc, nickel and lead to provide a measure of stability in managing our exposure to price fluctuations. We use interest rate swaps as a means of managing interest rates on our outstanding debt obligations. These interest rate swaps are treated as fair value hedges.

At December 31, 2002 and 2001, Accumulated Other Comprehensive Income (Loss) included a pretax decline in fair value of \$2 and \$3 respectively. In addition, the unfavorable ineffective portion of changes in fair value resulted in a \$1 charge to earnings for the years ended December 31, 2002 and 2001. Offsetting the above, there were assets totaling \$18 (2001-\$1) and liabilities of \$21 (2001-\$5).

Our foreign currency forward contracts and certain commodity derivatives did not meet the criteria of SFAS No. 133 to qualify for hedge accounting. The cumulative effect of items not qualifying for hedge accounting for the years 2002 and 2001 was not material to earnings.

Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated fair values due to the short-term maturities of these instruments. The fair value of our long-term debt was determined based on current market rates for debt of the same risk and maturities. At December 31, 2002, the estimated fair value of debt was \$348 (2001-\$432). The fair values of currency forward contracts were estimated based on quoted market prices for contracts with similar terms.

Retirement-Related Benefits

We account for our defined benefit pension plans and non-pension postretirement benefit plans using actuarial models required by SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively. These models use an attribution approach that generally spreads the financial impact of changes to the plan and actuarial assumptions over the service lives of the employees in the plan. Changes in liability due to changes in actuarial assumptions such as discount rate, rate of

compensation increases and mortality, as well as annual deviations between what was assumed and what was experienced by the plan are treated as a gain or loss. Gains and losses are amortized over the group's service lifetime, to the extent they fall outside of a corridor designed to dampen annual volatility. See the next paragraph for information on the expected long-term rate of return on plan assets. The principle underlying the required attribution approach is that employees render service over their service lives on a relatively smooth basis and, therefore, the income statement effects of pensions or non-pension postretirement benefit plans are earned in, and should follow, the same pattern.

One of the key components of the net periodic pension calculation is the expected long-term rate of return on plan assets, used to determine the "market-related value of assets". (The "market-related value of assets" recognizes differences between the plan's actual return and expected return over a five year period.) The required use of an expected long-term rate of return on the market-related value of plan assets may result in a recognized pension income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and, therefore, result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees. As differences between actual and expected returns are recognized over five years, they generate gains and losses that are subject to amortization over the service life of the group, as described in the preceding paragraph.

We use long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop the expected return on plan assets.

The discount rate assumptions used for pension and non-pension postretirement benefit plan accounting reflects the rates available on high-quality fixed-income debt instruments on December 31 of each year. The rate of compensation increase is another significant assumption used in the actuarial model for pension accounting and is determined by us based upon our long-term plans for such increases. For retiree medical plan accounting, we review external data and our own historical trends for health care costs to determine the health care cost trend rates.

Stock-Based Compensation

We account for stock-based compensation under SFAS No. 123, "Accounting for Stock-Based Compensation." As allowed under SFAS No. 123, we have chosen to continue to account for stock-based compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under this option, compensation cost is recorded when the fair market value of our stock at the date of grant for fixed options exceeds the exercise price of the stock option. Our policy is to grant stock options at the fair market value of our common stock on the date of the grant. Compensation cost for restricted stock awards is accrued over the life of the award based on the quoted market price of our stock at the date of the award.

EARNINGS PER SHARE

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings per share reflect the dilutive effect of stock options (refer to footnote called "Stock Options"). The effect of stock options of 0.2 million in 2002 and 0.1 million in 2001 have not been included in the 2002 and the 2001 diluted loss per share as their effect would have been anti-dilutive.

<i>Computation of Earnings (Loss) per Share</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Basic earnings (loss) per share			
Net income (loss)	\$ (31)	\$ (9)	\$ 81
Basic shares	49.4	43.6	44.9
Basic earnings (loss) per share	\$ (0.63)	\$ (0.22)	\$ 1.80
Diluted earnings (loss) per share:			
Net income (loss)	\$ (31)	\$ (9)	\$ 81
Diluted shares:			
Basic shares	49.4	43.6	44.9
Stock options	—	—	.1
	49.4	43.6	45.0
Diluted earnings (loss) per share	\$ (0.63)	\$ (0.22)	\$ 1.80

SHORT-TERM INVESTMENTS

Short-term investments, which approximate fair value, were \$25 and \$37 at December 31, 2002 and 2001, respectively, and represented the equity value of the company-owned life insurance program and in 2001 included equity shares resulting from the Prudential demutualization.

TRADE RECEIVABLES

Allowance for doubtful items were \$8 and \$7 at December 31, 2002 and 2001 respectively. Provisions charged to operations were \$2 in 2002, 2001 and 2000. Bad debt write-offs, net of recoveries, were \$1 in 2002 and 2000 and \$2 in 2001.

INVENTORIES

	<i>2002</i>	<i>2001</i>
Raw materials and supplies	\$ 120	\$ 119
Work in process	115	98
Finished goods	74	64
	309	281
LIFO reserves	(54)	(58)
Inventory, net	\$ 255	\$ 223

Inventories valued using the LIFO method comprised 82% and 79% of the total inventories at December 31, 2002 and 2001, respectively. During 2001, LIFO inventory quantities were reduced resulting in an increase in pretax income of \$4.

PROPERTY, PLANT AND EQUIPMENT

	<i>Useful Lives</i>	<i>2002</i>	<i>2001</i>
Land and improvements to land	10-20 Years	\$ 61	\$ 60
Buildings and building equipment	10-25 Years	231	196
Machinery and equipment	3-12 Years	1,522	1,411
Leasehold improvements		3	3
Construction in progress		43	48
Property, plant and equipment		1,860	1,718
Less accumulated depreciation		1,308	1,241
Property, plant and equipment, net		\$ 552	\$ 477

Leased assets capitalized and included above are not significant. Maintenance and repairs charged to operations amounted to \$105, \$106 and \$118 in 2002, 2001 and 2000, respectively.

INVESTMENTS—AFFILIATED COMPANIES

We have a 50% ownership interest in Sunbelt Chlor Alkali Partnership and Yamaha-Olin Metal Corporation, both of which are accounted for using the equity method of accounting. Combined financial positions and results of operations of these two equity-basis affiliates in their entirety were as follows:

	100% Basis		
	2002	2001	2000
Condensed Balance Sheet Data:			
Current assets	\$ 36	\$ 27	
Noncurrent assets	137	149	
Current liabilities	26	21	
Noncurrent liabilities	171	183	
Condensed Income Statement Data:			
Net sales	117	98	\$ 148
Gross profit	19	17	38
Net income (loss)	(9)	(10)	11

Pursuant to a note purchase agreement dated December 22, 1997, the Sunbelt joint venture sold \$97.5 of Guaranteed Senior Secured Notes Due 2017, Series O, and \$97.5 of Guaranteed Senior Secured Notes Due 2017, Series G. We refer to these notes as the Sunbelt Notes. The Sunbelt Notes bear interest at a rate of 7.23% per annum, payable semiannually in arrears on each June 22 and December 22.

We have guaranteed the Series O Notes, and PolyOne Corporation (PolyOne), our partner in this venture, has guaranteed the Series G Notes, in both cases pursuant to customary guarantee agreements. Our guarantee and PolyOne's guarantee are several, rather than joint. Therefore, we are not required to make any payments to satisfy the indebtedness of PolyOne. An insolvency or bankruptcy of PolyOne will not automatically trigger acceleration of the Sunbelt Notes or cause us to be required to make payments under our guarantee, even if PolyOne is required to make payments under its guarantee. However, if the Sunbelt joint venture does not make timely payments on the Sunbelt Notes, whether as a result of failure to pay on a guarantee or otherwise, the holders of the Sunbelt Notes may proceed against the assets of the Sunbelt joint venture for repayment.

Beginning on December 22, 2002 and each year thereafter until maturity of the Sunbelt Notes in 2017, our Sunbelt joint venture is required to repay approximately \$12 of the Notes, of which approximately \$6 is attributable to the Series O Notes. After the payment of \$6.1 on the Series O Notes in December 2002, our guarantee of these notes was \$91.4 at December 31, 2002. In the event our Sunbelt joint venture cannot make any of these payments, we would be required to fund our half of such payment. In certain other circumstances, we may also be required to repay the Sunbelt Notes prior to their maturity. We and PolyOne have agreed that, if we or PolyOne intend to transfer our respective interests in the Sunbelt joint venture and the transferring party is unable to obtain consent from holders of 80% of the aggregate principal amount of the indebtedness related to the guarantee being transferred after good faith negotiations, then we and PolyOne will be required to repay our respective portions of the Sunbelt Notes. In such event, any make whole or similar penalties or costs will be paid by the transferring party.

SHORT-TERM BORROWINGS

On January 3, 2002, we entered into a new three-year senior revolving credit facility of \$140, including a sublimit for letters of credit. The new facility replaced our existing credit facilities and will expire on January 3, 2005. At December 31, 2002, we had \$119 available under this senior revolving credit facility. We issued \$21 of letters of credit under a subfacility for the purpose of supporting certain long-term debt and self-insurance obligations. We may select various floating rate borrowing options. The senior credit facility includes various customary restrictive covenants including restrictions related to the ratio of debt to earnings before interest expense, taxes, depreciation and amortization (leverage ratio) and the ratio of earnings before interest expense, taxes, depreciation and amortization to interest expense (coverage ratio). In the event that the leverage ratio equals or exceeds 3.75, we are required under this senior credit facility to grant a security interest in all of our U.S. inventory and accounts receivables. No assets of our subsidiaries will secure our obligation under our senior credit facility.

LONG-TERM DEBT

	2002	2001
Notes payable:		
7.75%, due 2005	\$ 11	\$ 11
7.11%, due 2005	50	50
7.30%, due 2005	2	2
8%, due 2002	—	100
9.125%, due 2011	200	200
Industrial development and environmental improvement obligations:		
Payable at variable interest rates of 0.85% to 5.6%, due 2004-2017	1	36
Payable at fixed interest rates of 4.50% to 6.88%, due 2003-2017	66	32
Total senior debt	330	431
Amounts due within one year	2	102
Total long-term debt	\$ 328	\$ 329

In December 2001, we sold \$200 of 9.125% Senior Notes with a maturity date of December 15, 2011. We used a portion of the net proceeds of this offering to repay our short-term indebtedness in 2001 and to repay \$100 of the 8% notes due in June 2002. The remaining proceeds are available for general corporate purposes.

As of December 31, 2002, we had long-term borrowings of \$330 (\$431 at December 31, 2001) of which \$1 (\$36 at December 31, 2001) was issued at variable rates. In March 2002, we refinanced four variable-rate tax-exempt debt issues totaling \$35. The purpose of the refinancings was to eliminate the need for letter of credit support that used our liquidity.

As a result of our recent fixed-rate financings, we entered into floating interest rate swaps in order to manage interest expense and floating interest rate exposure to optimal levels. We have entered into approximately \$140 of such swaps, as disclosed below, whereby we agree to pay variable rates to a counterparty who, in turn, pays us fixed rates. In all cases the underlying index for variable rates is the six-month London InterBank Offered Rate (LIBOR). Accordingly, payments are settled every six months and the terms of the swaps are the same as the underlying debt instruments.

The following table reflected the swap activity related to certain debt obligations as of December 31, 2002:

Underlying Debt Instrument	Swap Amount	Date of Swap	December 31, 2002 Floating Rate
9.125%, due 2011	\$ 50	December 2001	4.88%
9.125%, due 2011	\$ 30	February 2002	4.0% – 5.0% ^(a)
9.125%, due 2011	\$ 25	March 2002	4.0% – 5.0% ^(a)
Industrial development and environmental improvement obligations, at fixed rates of 4.50%-6.88% due 2004-2017	\$ 8	March 2002	1.0% – 1.5% ^(a)
	\$ 21	March 2002	2.01%
	\$ 6	March 2002	2.15%

(a) Actual rate is set in arrears. We project it will fall within the range shown.

These interest rate swaps reduced interest expense, resulting in a decrease in pretax loss of \$5 and \$1 in 2002 and 2001, respectively. The difference between interest paid and interest received is included as an adjustment to interest expense. A settlement of the fair market value of the interest rate swaps as of December 31, 2002 would result in a gain of \$18. The counterparty to these interest rate swap contracts is a major financial institution. Our loss in the event of nonperformance by the counterparty would not be significant to our financial position or results of operations.

In January 2003, we renegotiated our \$11 7.75% note due 2005. The maturity date was extended to 2013 and the interest rate was reduced from 7.75% to 6.5%, effective January 1, 2003.

Annual maturities of long-term debt are \$2 in 2003, \$27 in 2004, \$52 in 2005, \$1 in 2006, \$2 in 2007 and \$246 thereafter.

Interest expense incurred on short-term borrowings and long-term debt totaled \$26 in 2002, \$18 in 2001 and \$17 in 2000; of which \$1 was capitalized in 2001 and 2000.

PENSION PLANS AND RETIREMENT BENEFITS

Essentially all of our domestic pension plans are non-contributory final-average-pay or flat-benefit plans and all domestic employees are covered. Our funding policy is consistent with the requirements of federal laws and regulations. We provide certain postretirement health care and life insurance benefits for eligible active and retired domestic employees.

<i>Change in Benefit Obligation</i>	<i>Pension Benefits</i>		<i>Other Postretirement Benefits</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Benefit obligation at beginning of year	\$ 1,260	\$ 1,135	\$ 75	\$ 70
Service cost	14	14	1	1
Interest cost	91	88	6	5
Amendments	—	24	—	2
Actuarial loss	112	66	15	4
Business combination	15	—	—	—
Benefits paid	(99)	(92)	(15)	(13)
Curtailment	—	25	—	6
Benefit obligation at end of year	\$ 1,393	\$ 1,260	\$ 82	\$ 75

<i>Change in Plan Assets</i>	<i>Pension Benefits</i>	
	<i>2002</i>	<i>2001</i>
Fair value of plans' assets at beginning of year	\$ 1,164	\$ 1,297
Actual return on plans' assets	(115)	(47)
Employer contribution	6	6
Business combination	11	—
Benefits paid	(99)	(92)
Fair value of plans' assets at end of year	\$ 967	\$ 1,164

At December 31, 2002 and 2001, the benefit obligation of the qualified pension plans was \$1,342 and \$1,209, respectively; and the fair value of the assets of the qualified pension plans was \$967 and \$1,164, respectively. At December 31, 2002 and 2001, the benefit obligation of the non-qualified pension plans was \$51.

	<i>Pension Benefits</i>		<i>Other Postretirement Benefits</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Funded status	\$ (426)	\$ (96)	\$ (82)	\$ (75)
Unrecognized actuarial (gain) loss	422	82	36	23
Unrecognized prior service cost	33	37	—	(1)
Net amount recognized	\$ 29	\$ 23	\$ (46)	\$ (53)

Amounts recognized in the consolidated balance sheet consist of:

Prepaid benefit cost	\$ 70	\$ 61	\$ —	\$ —
Intangible asset in prepaid pension costs	36	—	—	—
Accrued benefit liability in other liabilities	(445)	(45)	(46)	(53)
Accumulated other comprehensive income	368	7	—	—
Net amount recognized	\$ 29	\$ 23	\$ (46)	\$ (53)

<i>Principal Assumptions for Pension and Postretirement Benefits as of December 31</i>				<i>2002</i>	<i>2001</i>
Weighted average discount rate				6.75%	7.5%
Weighted average rate of compensation increase				4.5%	4.5%
Long-term rate of return on assets				9.0%	9.5%

<i>Components of Net Periodic Benefit Cost (Income)</i>	<i>Pension Benefits</i>			<i>Other Postretirement Benefits</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Service cost	\$ 14	\$ 14	\$ 21	\$ 1	\$ 1	\$ 2
Interest cost	91	88	83	6	5	5
Expected return on plans' assets	(115)	(120)	(114)	—	—	—
Amortization of prior service cost	6	6	4	—	—	(1)
Recognized actuarial loss (gain)	1	(2)	(12)	1	1	1
Curtailment	—	17	—	—	6	—
Net periodic benefit cost (income)	\$ (3)	\$ 3	\$ (18)	\$ 8	\$ 13	\$ 7

Our common stock represented approximately 1% of the plans' assets at December 31, 2002 and 2001.

Our foreign subsidiaries maintain pension and other benefit plans, which are consistent with statutory practices and are not significant.

Our pension plan provides that if, within three years following a change of control of Olin, any corporate action is taken or filing made in contemplation of, among other things, a plan termination or merger or other transfer of assets or liabilities of the plan, and such termination, merger or transfer thereafter takes place, plan benefits would automatically be increased for affected participants (and retired participants) to absorb any plan surplus.

The accumulated postretirement benefit obligation was determined using the projected unit credit method and an assumed discount rate of 6.75% in 2002 and 7.5% in 2001. The assumed health care cost trend rate used for pre-65 retirees was 9.50% in 2002, 5.75% in 2001 and 6.5% in 2000. An average increase of 8.75% in the cost of covered retiree medical benefits is assumed for 2003. This average increase is then projected to decline gradually at the rate of three-fourths of one percent per annum to 4.5% in 2009. For post-65 retirees, we provide a fixed dollar benefit, which is not subject to escalation.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plan. A one-percentage-point increase (decrease) in assumed health care cost trend rates would have a less than \$1 increase (decrease) in total service and interest cost components and a \$2 increase (decrease) in the postretirement benefit obligation.

INCOME TAXES

<i>Components of Pretax Income (Loss)</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Domestic	\$ (30)	\$ (20)	\$ 126
Foreign	3	7	5
Pretax income (loss)	\$ (27)	\$ (13)	\$ 131

<i>Components of Income Tax Expense (Benefit)</i>			
Currently payable:			
Federal	\$ (18)	\$ 5	\$ 26
State	—	(2)	5
Foreign	2	2	2
	(16)	5	33
Deferred	20	(9)	17
Income tax expense (benefit)	\$ 4	\$ (4)	\$ 50

The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory U.S. federal income tax rate of 35% to the income (loss) before taxes.

<i>Effective Tax Rate Reconciliation (Percent)</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Statutory federal tax rate	35.0	35.0	35.0
Foreign rate differential	(2.0)	1.3	0.3
Export tax incentive	1.5	5.3	(0.4)
Company-owned life insurance programs	(37.6)	(2.0)	0.2
Dividends paid to ESOP	7.4	—	—
Provision for prior year taxes	(26.1)	—	—
State income taxes, net	5.8	4.7	6.0
Change in valuation allowance	(2.3)	(9.5)	(2.2)
Equity income of foreign affiliates	1.2	3.3	(0.5)
Other, net	1.5	(7.3)	(0.2)
Effective tax rate	(15.6)	30.8	38.2
<i>Components of Deferred Tax Assets and Liabilities</i>			
Deferred tax assets:			
Pension and postretirement benefits	\$ 148	\$ 12	
Environmental reserves	38	39	
Accrued liabilities	34	26	
Minimum tax credits	19	23	
Federal and state net operating losses	39	29	
Other miscellaneous items	2	14	
Total deferred tax assets	280	143	
Valuation allowance	(4)	(5)	
Net deferred tax assets	276	138	
Deferred tax liabilities:			
Property, plant and equipment	73	66	
Capital loss	87	80	
Other miscellaneous items	51	29	
Total deferred tax liabilities	211	175	
Net deferred tax (asset) liability	\$ (65)	\$ 37	

Included in Other Current Assets at December 31, 2002 and 2001 are \$44 and \$35, respectively, of net current deferred assets. The remainder of the net deferred tax asset/liability balance is recorded in Other Assets in 2002 and in Deferred Income Taxes in 2001. The deferred tax provision for 2002 and 2001 does not reflect the tax effect of \$18 resulting from the 2002 acquisition of Chase and in 2001, \$1 resulting from hedging activity under SFAS No. 133 and \$4 resulting from the acquisition of Monarch. For the years 2002 and 2000, the deferred tax provision does not reflect \$140 and \$2, respectively, resulting from additional minimum pension liability adjustment required by SFAS No. 87, "Employers Accounting for Pensions."

Realization of the net deferred tax assets is dependent on future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing temporary differences and carryforwards. Although realization is not assured, we believe that it is more likely than not that the net deferred tax assets will be realized.

We have state net operating loss carryforwards of approximately \$196, which are available to offset future state taxable income, if any, through 2015. We also have minimum tax credit carryforwards of approximately \$19, which are available to reduce future federal regular income taxes, if any, over an indefinite period.

At December 31, 2002, our share of the cumulative undistributed earnings of foreign subsidiaries was approximately \$7. No provision has been made for U.S. or additional foreign taxes on the undistributed earnings of foreign subsidiaries since we intend to continue to reinvest indefinitely these earnings. Foreign tax credits would be available to substantially reduce or eliminate any amount of additional U.S. tax that might be payable on these foreign earnings in the event of distributions or sale.

We are currently subject to ongoing audits by the IRS in connection with our Federal tax returns for the years from 1992 to 2000; however, we have closed all tax years through 1991. Depending on the outcome of these audits, we may be required to pay additional taxes, and any additional taxes and related interest could be substantial. We have reserved amounts which we believe will be sufficient for any adverse outcome, but the actual amount of any additional taxes and the timing of such payments is uncertain.

In connection with a current audit, we are in the process of finalizing negotiations with the IRS relative to our COLI under which we purchased life insurance policies on many non-bargaining employees. This settlement with the IRS contemplates a tax payment of approximately \$40 which had been recorded as a liability in prior years. We could pay approximately \$20 of this payment in 2003, with the remainder to be paid in future years. Concurrent with this settlement, we intend to surrender the life insurance policies purchased by us under this program. The surrender of these policies resulted in a tax charge of approximately \$10 in 2002. This tax charge was recorded in the fourth quarter of 2002 and is expected to be paid in 2003.

In 1999, we entered into tax sharing agreements with Arch Chemicals effectively providing that we will be responsible for the tax liability of Arch Chemicals for the years that Arch Chemicals was included in our consolidated income tax returns.

ACCRUED LIABILITIES

Included in accrued liabilities are the following items:

	2002	2001
Accrued compensation and employee benefits	\$ 23	\$ 22
Environmental	28	27
Derivatives	21	5
Accrued insurance	15	11
Workers compensation	14	12
Accrued cost for restructuring	—	12
Other	44	47
	<u>\$ 145</u>	<u>\$ 136</u>

CONTRIBUTING EMPLOYEE OWNERSHIP PLAN

The Contributing Employee Ownership Plan is a defined contribution plan available to essentially all domestic employees. We match eligible employee contributions in the form of Olin common stock. Our matching contributions amounted to \$5 in 2002 and 2000 and \$6 in 2001. Effective January 1, 2003, we suspended the match on all salaried employees' contributions.

Employees become vested in the value of the contributions we make to the CEOP according to a schedule based on service. After two years of service, participants are 25% vested. They vest in increments of 25% for each additional year and after five years of service, they are 100% vested in the value of the contributions that we have made to their accounts.

Employees may transfer any or all of the value of the investments purchased with their own contributions, including Olin Common Stock, to any one or combination of investments available in the Plan. Such transfers may be made without limitation, at any time and as often as employees choose. The Olin common stock purchased with our contributions may not be transferred until employees terminate employment with the company. However, employees who are age 50 or older may withdraw any or all of the value of the Olin common stock purchased with our contributions without the usual suspension of contribution penalty. Provided the amount of the withdrawal is rolled over to an Individual Retirement Account, tax payments would be deferred until the employee takes a distribution from the Individual Retirement Account.

STOCK OPTIONS

Under the stock option plans, options may be granted to purchase shares of our common stock at not less than fair market value at the date of grant, and are exercisable for a period not exceeding ten years from that date. Options granted under the 1996 Stock Option Plan and the 2000 and the 1991 Long Term Incentive Plans vest over three years. In 2002, long term incentive awards were given with stock options representing one-half of the aggregate value of the long term incentive award opportunity, and performance share awards making up the other half. The option price was set at the fair market value of common stock on the date of the grant, and the options have a ten-year term. The other half of the individual long term incentive award takes the form of performance shares. At the end of a three-year performance cycle, participants receive a performance share award denominated in shares of our stock, paid half in shares of our stock and half in cash, based on Olin's average annual return on capital in relation to the average annual return on capital among the S&P MidCap 400 companies. In 2000, a one-time grant of Performance Accelerated Vesting Stock Options was granted with an exercise price of \$18.97, which represented fair value. Options for 924,000 shares were outstanding at December 31, 2002. These options have a term of 120 months and vest in 119 months, and can vest early, but only if the stock price increases to \$28 per share or more for 10 days in any 30 calendar day period.

In accordance with the merger agreement, each stock option of Chase under the Chase 1994 Long Term Incentive Plan, the Chase 1997 Executive Deferred Compensation Stock Option Plan and the Chase 1997 Non-Employee Director Stock Option Plan was converted into a stock option to acquire a number of shares of our common stock equal to the number of shares of Chase common stock subject to the Chase stock option multiplied by 0.6400. The exercise price of each Chase stock option that was converted into an Olin stock option was equal to the exercise price of the applicable Chase stock option divided by 0.6400. The terms and conditions of the Olin options will otherwise be the same as were applicable under the stock option of Chase, as the case may be, but taking into account any changes, including acceleration, provided for in the applicable stock plan of Chase. In September 2002, approximately 918,000 stock options were issued to Chase employees and directors who owned options under the Chase stock option plans.

As a result of the spin-off of Arch Chemicals the outstanding Olin options as of February 8, 1999 were converted into both an option to purchase Olin common stock and an option to purchase Arch Chemicals common stock with an adjustment of the exercise price designed to preserve the "intrinsic value" at the time of the spin-off. Olin will be responsible for delivering shares of Olin common stock upon exercise, and Arch Chemicals will be responsible for delivering shares of Arch Chemicals stock upon exercise. The options maintain the original vesting schedule. Stock option transactions are as follows:

	<i>Shares</i>	<i>Option Price Per Share</i>	<i>Weighted Average Option Price Per Share</i>
Outstanding at January 1, 2000	3,679,250	\$12.72 – \$ 27.17	\$21.46
Granted	1,943,800	18.97	18.97
Exercised	(67,111)	13.69 – 17.16	16.09
Canceled	(142,995)	15.85 – 27.17	20.22
Outstanding at December 31, 2000	5,412,944	12.72 – 27.17	20.67
Granted	451,300	15.66 – 20.67	18.59
Exercised	(161,093)	13.34 – 17.16	14.53
Canceled	(66,879)	15.85 – 27.17	20.62
Outstanding at December 31, 2001	5,636,272	12.72 – 27.17	20.68
Granted	706,700	16.10 – 18.39	16.17
Chase Acquisition	917,691	6.25 – 33.86	15.99
Exercised	(174,069)	10.42 – 18.97	15.76
Canceled	(196,777)	11.72 – 28.06	19.99
Outstanding at December 31, 2002	6,889,817	\$ 6.25 – \$ 33.86	\$19.73

Of the outstanding options at December 31, 2002, options covering 4,857,457 shares are currently exercisable at a weighted average exercise price of \$20.47 and options covering 644,714 shares are held by Arch Chemicals employees. At December 31, 2002 and 2001, the average exercise period for all outstanding options was 66 months and 75 months, respectively.

At December 31, 2002, common shares reserved for issuance and available for grant or purchase under the following plans consisted of:

<i>Stock Option Plans</i>	<i>Number of Shares</i>	
	<i>Reserved for Issuance</i>	<i>Available for Grant or Purchase</i>
1996 Stock Option Plan	3,419,047	136,364
2000 Long Term Incentive Plan	2,240,000	1,206,269
	<u>5,659,047</u>	<u>1,342,633⁽¹⁾</u>
1988 Stock Option Plan (plan expired)	534,532	—
1991 Long Term Incentive Plan (plan expired)	801,810	—
Chase Benefit Plans (assumed in acquisition)	916,664	—
Options Available for only Arch Chemicals Employees	644,714	—
	<u>2,897,720</u>	<u>—</u>
Total Stock Option Plans	8,556,767	1,342,633
<i>Stock Purchase Plans</i>		
1997 Stock Plan for Non-employee Directors	215,037	96,163
Employee Deferral Plan	67,667	47,636
Monarch Brass & Copper Corp. Deferral Plan	500,000	500,000
	<u>782,704</u>	<u>643,799</u>
Total Stock Purchase Plans	782,704	643,799

(1) consists of stock options of 1,168,200 shares and stock awards of 174,433 shares .

Under the stock purchase plans, our employees or non-employee directors may defer certain elements of their compensation, and former employees of Monarch may periodically transfer amounts of their compensation deferred at the time we acquired Monarch, into shares of our common stock based on fair market value of the shares at the time of deferral. Non-employee directors annually receive stock grants as a portion of their director compensation. Of the shares reserved under the stock purchase plans at December 31, 2002, approximately 139,000 shares were committed.

In 1996, we adopted SFAS No. 123, "Accounting for Stock-Based Compensation" and as permitted by SFAS No. 123, we continue to account for the costs of stock compensation in accordance with Accounting Principles Board Opinion (APBO) No. 25. Pro forma net income (loss) and earnings (loss) per share were calculated based on the following assumptions as if we had recorded compensation expense for the stock options granted during the year. The fair value of each option granted during 2002, 2001 and 2000 was estimated on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions used: dividend yield of 4.97% in 2002, 5.69% in 2001 and 4.21% in 2000, risk-free interest rate of 4.27% in 2002, 4.92% in 2001 and 5.18% in 2000, expected volatility of 31% in 2002 and 29% in 2001 and 2000 and an expected life of 7 years. The fair value of options granted during 2002, 2001, and 2000 was \$5.16, \$5.34 and \$5.59, respectively. The following table shows the difference between reported and pro forma net income (loss) and earnings (loss) per share as if we had recorded compensation expense for the stock options granted during the year.

<i>(\$ in millions, except per share data)</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Net Income (Loss)			
As reported	\$ (31)	\$ (9)	\$ 81
Pro forma	(34)	(12)	77
Per Share Data:			
Basic			
As reported	(0.63)	(0.22)	1.80
Pro forma	(0.68)	(0.27)	1.71
Diluted			
As reported	(0.63)	(0.22)	1.80
Pro forma	(0.68)	(0.27)	1.71

SHAREHOLDERS' EQUITY

In March 2002, we issued and sold 3,302,914 shares of common stock at a public offering price of \$17.50. Net proceeds from this sale were approximately \$56 and provide liquidity and financial flexibility, and strengthen our financial position. The net proceeds are available for general corporate purposes.

During 2002, we issued 1,039,259 shares of common stock with a total value of \$18 to the Contributing Employee Ownership Plan. These shares were issued to satisfy the investment in our common stock resulting from employee contributions, our contribution and dividends that were to be invested in our common stock.

During 2002, 2001 and 2000, we used \$3, \$14 and \$20 to repurchase 0.1 million, 0.7 million and 1.2 million shares of our common stock, respectively. In 1996, we sold our toluene diisocyanate and aliphatic diisocyanate businesses to ARCO Chemical Company for a sale price of \$565. Our board of directors decided to use a portion of the proceeds for the repurchase of shares of our common stock in order to enhance shareholder value. On October 9, 1996 and April 30, 1998, our board of directors approved two share repurchase programs to repurchase a total of 10 million shares of our outstanding common stock, of which approximately 154,000 shares remained to be repurchased as of December 31, 2002.

In December 2002, we registered \$400 of securities with the Securities and Exchange Commission whereby from time to time, we may issue debt securities, preferred stock and/or common stock and associated warrants. At December 31, 2002, the entire \$400 was available for issuance.

SHAREHOLDER RIGHTS PLAN

Effective February 1996, our board of directors adopted a new Shareholder Rights Plan to replace the prior plan which had been adopted in 1986. This plan is designed to prevent an acquirer from gaining control of us without offering a fair price to all shareholders. Each right entitles a shareholder (other than the acquirer) to buy one-five hundredth share of Series A Participating Cumulative Preferred Stock at an exercise price of one hundred twenty dollars. The rights are exercisable only if a person acquires more than 15% of our common stock or if our board of directors so determines following the commencement of a tender or exchange offer to acquire more than 15% of our common stock. If any person acquires more than 15% of our common stock and in the event of a subsequent merger or combination, each right will entitle the holder (other than the acquirer) to purchase stock or other property of the acquirer having a value of twice the exercise price. We can redeem the rights at \$.005 per right for a certain period of time. The rights will expire on February 27, 2006, unless redeemed earlier by us.

SEGMENT INFORMATION

We define segment operating income as earnings before interest expense, interest income, other income, restructuring charge and unusual items and income taxes, and include the operating results of non-consolidated affiliates. Segment operating results in 2001 exclude the restructuring charge and unusual items (\$42 pretax).

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Sales:			
Chlor Alkali Products	\$ 321	\$ 384	\$ 392
Metals	697	618	880
Winchester	283	269	277
	<u> </u>	<u> </u>	<u> </u>
Total Sales	\$ 1,301	\$ 1,271	\$ 1,549
	<u> </u>	<u> </u>	<u> </u>
Operating Income (Loss) before Restructuring Charges and Unusual Items:			
Chlor Alkali Products	\$ (35)	\$ 8	\$ 27
Metals	14	7	95
Winchester	14	7	20
	<u> </u>	<u> </u>	<u> </u>
Total Operating Income (Loss) before Restructuring Charges and Unusual Items	(7)	22	142
Interest Expense	26	17	16
Interest Income	3	1	2
Other Income	3	22	3
Restructuring Charge	—	(39)	—
Unusual Items (Recorded in Cost of Goods Sold)	—	(2)	—
	<u> </u>	<u> </u>	<u> </u>
Income (Loss) before Taxes	\$ (27)	\$ (13)	\$ 131
	<u> </u>	<u> </u>	<u> </u>
Equity Income (Loss) in Affiliated Companies, Included in Operating Income			
Chlor Alkali Products	\$ (8)	\$ (9)	\$ —
Metals	1	1	2
	<u> </u>	<u> </u>	<u> </u>
Total Equity Income (Loss) in Affiliated Companies	\$ (7)	\$ (8)	\$ 2
	<u> </u>	<u> </u>	<u> </u>
Depreciation Expense:			
Chlor Alkali Products	\$ 38	\$ 39	\$ 37
Metals	38	33	29
Winchester	11	13	13
	<u> </u>	<u> </u>	<u> </u>
Depreciation Expense	\$ 87	\$ 85	\$ 79
	<u> </u>	<u> </u>	<u> </u>
Amortization Expense:			
Metals	\$ 1	\$ 2	\$ 2
	<u> </u>	<u> </u>	<u> </u>
Capital Spending:			
Chlor Alkali Products	\$ 20	\$ 22	\$ 31
Metals	17	36	51
Winchester	4	6	12
Other	—	1	1
	<u> </u>	<u> </u>	<u> </u>
Total Capital Spending	\$ 41	\$ 65	\$ 95
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Chlor Alkali Products	\$ 195	\$ 217	\$ 250
Metals	734	503	500
Winchester	135	142	156
Other	360	357	217
	<u> </u>	<u> </u>	<u> </u>
Total Consolidated Assets	\$ 1,424	\$ 1,219	\$ 1,123
	<u> </u>	<u> </u>	<u> </u>
Investments & Advances to (from) Affiliated Companies at Equity:			
Chlor Alkali Products	\$ (19)	\$ (22)	\$ (13)
Metals	8	7	7
	<u> </u>	<u> </u>	<u> </u>
Total Investments & Advances—Affiliated Companies	\$ (11)	\$ (15)	\$ (6)
	<u> </u>	<u> </u>	<u> </u>

Segment operating income includes an allocation of corporate charges based on various allocation methodologies. Segment assets include only those assets which are directly identifiable to a segment and do not include such items as cash, deferred taxes and other assets. Sales by segment substantially represent sales for our three product lines.

<i>Geographic Data:</i>		<u>2002</u>	<u>2001</u>	<u>2000</u>
Sales				
United States		\$ 1,246	\$ 1,214	\$ 1,488
Foreign		55	57	61
Transfers between areas				
United States		9	14	14
Foreign		1	—	—
Eliminations		(10)	(14)	(14)
Total Sales		<u>\$ 1,301</u>	<u>\$ 1,271</u>	<u>\$ 1,549</u>
Assets				
United States		\$ 1,370	\$ 1,171	\$ 1,069
Foreign		50	45	47
Investments		8	7	7
Eliminations		(4)	(4)	—
Total Assets		<u>\$ 1,424</u>	<u>\$ 1,219</u>	<u>\$ 1,123</u>

Transfers between geographic areas are priced generally at prevailing market prices. Export sales from the United States to unaffiliated customers were \$57, \$61, and \$93 in 2002, 2001, and 2000, respectively.

ACQUISITIONS

In June 2001, we acquired the stock of Monarch for approximately \$48. Monarch was a privately held, specialty copper alloy manufacturer headquartered in Waterbury, CT with annual revenues of approximately \$95 in 2000. We financed the purchase through our credit lines. The purchase price exceeded the fair value of the identifiable net assets acquired by \$19. The acquisition has been accounted for using the purchase method of accounting and for segment purposes was included in Metals. The operating results of Monarch, which have been included in the accompanying financial statements since the date of acquisition, were not material.

On September 27, 2002, we completed our acquisition of Chase with the issuance of approximately 9.8 million shares of our common stock for 100% of the outstanding stock of Chase. The aggregate purchase price was approximately \$178, representing an average price of \$18.11 per share. The acquisition has been accounted for using the purchase method of accounting and for segment reporting purposes, was included in Metals. The operating results of Chase, which have been included in the accompanying financial statements since the date of the acquisition, were approximately \$2.

The following table includes the estimated fair value of the assets acquired and the liabilities assumed at the dates of acquisitions. We have obtained third party valuations of Chase's fixed assets and certain intangible assets (trademark.) Based on these valuations, \$40 was assigned to goodwill and \$10 was assigned to trademark, both of which are not subject to amortization.

Supplemental cash flow information on the businesses acquired is as follows:

	<u>2002</u>	<u>2001</u>
Cash	\$ 13	\$ —
Working capital	9	20
Property, plant and equipment	135	16
Goodwill	40	19
Intangible asset (trademark)	10	—
Debt	—	(11)
Other, net	(29)	4
Net assets acquired	<u>\$ 178</u>	<u>\$ 48</u>

The following unaudited pro forma condensed results of operations for the years ended December 31, 2002, 2001 and 2000, reflect the Chase acquisition as if it had occurred on January 1, 2000, the beginning of the fiscal period presented.

	2002	2001	2000
Sales	\$1,481	\$1,503	\$1,839
Net income (loss)	(25)	(2)	99
Net income (loss) per common share:			
Basic	\$ (0.44)	\$ (0.04)	\$ 1.81
Diluted	\$ (0.44)	\$ (0.04)	\$ 1.81

RESTRUCTURINGS AND UNUSUAL ITEMS

For the full year 2001, we recorded restructuring charges totaling \$39 pretax and unusual items of \$3 pretax for a total of \$42.

In the third quarter, we recorded a pretax charge for restructuring and unusual items of \$29 primarily for costs associated with a salaried workforce reduction through an early retirement incentive program. Cost of Goods Sold and Other Income include \$2 and \$1, respectively, of unusual items. Cost of Goods Sold included the write-off of inventory associated with cancelled customer orders. Other Income included the write-off of an investment in an E-commerce company. The third-quarter restructuring charge of \$26 related to the 190 employees retiring in connection with the retirement program and represented primarily pension and postretirement benefit curtailment losses and severance.

In the fourth quarter we recorded a restructuring pretax charge of \$13 pretax, primarily for costs associated with idling our Indianapolis brass mill, consolidating distribution operations of Monarch with the A.J. Oster metals service center business, and reducing staffing levels in Chlor Alkali Products. A significant portion of the charge relating to the idling of the Indianapolis facility represented primarily pension and postretirement curtailment losses and severance for 200 employees. Another portion of the charge related to 38 Chlor Alkali employees who accepted our offer of a voluntary special separation program whereby employees accept a voluntary lay off and receive full separation benefits and also receive their accrued pension benefits at the same time. The balance of the restructuring charge related to costs associated with the consolidation of certain Monarch facilities in order to optimize distribution operations.

The following table summarizes the major components of the 2001 charges and the remaining balances as of December 31, 2002:

	Original Charge	Amounts Utilized	Accrued Restructuring Costs
Employee early retirement programs and severance	\$ 30	\$ (30)	\$ —
Optimization of Metals facilities	9	(9)	—
Write-off Assets	3	(3)	—
	\$ 42	\$ (42)	\$ —

ENVIRONMENTAL

We are party to various governmental and private environmental actions associated with waste disposal sites and manufacturing facilities. Charges to income for investigatory and remedial efforts were \$15 in 2002 and 2000 and \$14 in 2001. The consolidated balance sheets include reserves for future environmental expenditures to investigate and remediate known sites amounting to \$98 at December 31, 2002, and \$100 at December 31, 2001, of which \$70 and \$73 are classified as other noncurrent liabilities, respectively. The 2002 environmental liabilities included \$8 from the Chase acquisition.

Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies, advances in technology, changes in environmental laws and

regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and our ability to obtain contributions from other parties and the lengthy time periods over which site remediation occurs. It is possible that some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably against us, which could have a material adverse effect on our operating results and financial condition. At December 31, 2002, we estimate we may have additional contingent environmental liabilities of \$40 in addition to the amounts for which we have already taken a reserve.

COMMITMENTS AND CONTINGENCIES

We lease certain properties, such as railroad cars, distribution, warehousing and office space, data processing and office equipment. Leases covering these properties generally contain escalation clauses (except for railroad cars) based on increased costs of the lessor, for primarily property taxes, maintenance and insurance and have renewal or purchase options. Total rent expense charged to operations amounted to \$32 in 2002 and 2001 and \$33 in 2000, (sublease income is not significant). Future minimum rent payments under operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2002 are as follows: \$22 in 2003; \$21 in 2004; \$19 in 2005; \$17 in 2006; \$15 in 2007; and a total of \$70 thereafter.

On December 31, 1997, we entered into a long-term, sulfur dioxide supply agreement with Alliance Specialty Chemicals, Inc. (Alliance), formerly known as RFC SO₂, Inc. Alliance has the obligation to deliver annually 36,000 tons of sulfur dioxide. Alliance owns the sulfur dioxide plant, which is located at our Charleston, TN facility and is operated by us. The price for the sulfur dioxide is fixed over the life of the contract, and under the terms of the contract, we are obligated to make a monthly payment of approximately \$.2 regardless of the sulfur dioxide purchased. Commitments related to this agreement are approximately \$2 per year for each year of 2003 through 2006 and a total of \$10 thereafter.

There are a variety of non-environmental legal proceedings pending or threatened against us. Probable losses related to those matters have been accrued in the accompanying financial statements. Any contingent amounts in excess of amounts accrued are not expected to have a material adverse effect on our results of operations, financial position or liquidity.

SUBSEQUENT EVENT

In the first quarter 2003, we made a decision to close our manufacturing plant in Indianapolis, Indiana. The plant manufactures copper and copper alloy sheet and strip products and employs approximately 200 people. Production at the Indianapolis strip mill will be consolidated within our East Alton, Illinois facility. While the Indianapolis strip mill has been an important part of the Metals segment since its acquisition in 1988, reduced domestic consumption of strip products combined with capacity additions at East Alton have lessened the need to maintain the Indianapolis production base.

OTHER FINANCIAL DATA**Quarterly Data (Unaudited)**

2002	First Quarter	Second Quarter	Third Quarter(2)	Fourth Quarter(1)(3)	Year(1)(2)(3)
Sales	\$ 295	\$ 314	\$ 341	\$ 351	\$ 1,301
Cost of goods sold	270	285	308	319	1,182
Net loss	(11)	(7)	(1)	(12)	(31)
Net loss per common share:					
Basic	(0.26)	(0.15)	(0.02)	(0.21)	(0.63)
Diluted	(0.26)	(0.15)	(0.02)	(0.21)	(0.63)
Common dividends per share	0.20	0.20	0.20	0.20	0.80
Market price of common stock(4)					
High	18.80	22.25	22.60	17.06	22.60
Low	13.85	16.98	15.59	13.90	13.85
2001					
Sales	\$ 334	\$ 325	\$ 334	\$ 278	\$ 1,271
Cost of goods sold	295	282	303	242	1,122
Net income (loss)	2	7	(19)	1	(9)
Net income (loss) per common share:					
Basic	0.06	0.15	(0.45)	0.02	(0.22)
Diluted	0.06	0.15	(0.45)	0.02	(0.22)
Common dividends per share	0.20	0.20	0.20	0.20	0.80
Market price of common stock(4)					
High	22.75	22.53	18.00	17.25	22.75
Low	17.76	14.90	13.30	12.05	12.05

- (1) Operating results for the 2002 fourth quarter and year include a tax provision of \$10 in connection with the surrender of life insurance policies purchased by us under the Company Owned Life Insurance program.
- (2) Operating results in 2001 include a Restructuring Charge and Unusual Items of \$29 pretax, primarily for costs associated with a salaried workforce reduction through an early retirement incentive program.
- (3) Operating results in 2001 include an additional Restructuring Charge of \$13 pretax, primarily for costs associated with the consolidation of certain Metals facilities in order to optimize distribution operations and a voluntary retirement program.
- (4) New York Stock Exchange composite transactions.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We incorporate the biographical information relating to our Directors under the heading “Item 1—Election of Directors” in our Proxy Statement relating to our 2003 Annual Meeting of Shareholders (the “Proxy Statement”) by reference in this Report. See also the list of executive officers following Item 4 of this Report. We incorporate the information regarding compliance with Section 16 of the Securities Exchange Act of 1934, as amended, contained in the paragraph entitled “Section 16(a) Beneficial Ownership Reporting Compliance” under the heading “Security Ownership of Directors and Officers” in our Proxy Statement by reference in this Report.

Item 11. EXECUTIVE COMPENSATION

The information under the heading “Executive Compensation” in the Proxy Statement (but excluding the Report of the Compensation Committee on Executive Compensation and the Performance Graph) is incorporated by reference in this Report. The information under the heading “Additional Information Regarding the Board of Directors—How are the Directors compensated?” in the Proxy Statement is incorporated by reference in this Report.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

We incorporate the information concerning holdings of our common stock by certain beneficial owners contained under the heading “Certain Beneficial Owners” in our Proxy Statement and the information concerning beneficial ownership of our common stock by our directors and officers under the heading “Security Ownership of Directors and Officers” in our Proxy Statement by reference in this Report.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

Item 14. CONTROLS AND PROCEDURES

(a) *of disclosure controls and procedures.*
Evaluation

Our chief executive officer and chief financial officer have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days before the filing of this report, (the “Evaluation Date”). Based on this review, they have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that material information relating to Olin Corporation and its consolidated subsidiaries would be disclosed on a timely basis in this report.

(b) *in internal controls.*
Changes

We maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. Since the Evaluation Date, there were no significant changes to our internal controls or in other factors that could significantly affect our internal controls.

PART IV

Item 15. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Consolidated Financial Statements

Included in Item 8 above.

2. Consolidated Financial Statement Schedules

Schedules not included herein are omitted because they are inapplicable or not required or because the required information is given in the consolidated financial statements and notes thereto.

Separate consolidated financial statements of 50% or less owned subsidiaries accounted for by the equity method are not summarized herein and have been omitted because, in the aggregate, they would not constitute a significant subsidiary.

3. Exhibits

Management contracts and compensatory plans and arrangements are listed as Exhibits 10(a) through 10(u) below.

- 3 (a) Olin's Restated Articles of Incorporation as amended effective May 8, 1997—Exhibit 3 to Olin's Form 10-Q for the Quarter ended March 31, 1997.*
- (b) By-laws of Olin as amended effective February 18, 2003.
- 4 (a) Articles of Amendment designating Series A Participating Cumulative Preferred Stock, par value \$1 per share—Exhibit 2 to Olin's Form 8-A dated February 21, 1996, covering Series A Participating Cumulative Preferred Stock Purchase Rights.*
- (b) Rights Agreement dated as of February 27, 1996 between Olin and Chemical Mellon Shareholder Services, LLP, Rights Agent—Exhibit 1 to Olin's Form 8-A dated February 21, 1996, covering Series A Participating Cumulative Preferred Stock Purchase Rights.*
- (c) Form of Senior Debt Indenture between Olin and Chemical Bank—Exhibit 4(a) to Form 8-K dated June 15, 1992; Supplemental Indenture dated as of March 18, 1994 between Olin and Chemical Bank—Exhibit 4(c) to Registration Statement No. 33-52771 and Second Supplemental Indenture dated as of December 11, 2001 between Olin and JPMorgan Chase Bank, formerly known as Chemical Bank—Exhibit 4 to Form 8-K dated December 20, 2001.*
- (d) Credit Agreement dated as of January 3, 2002 among Olin and the banks named therein—Exhibit 4 to Olin's Form 8-K dated January 10, 2002.*
- (e) 9.125% Senior Note Due p2011—Exhibit 4(f) to Olin's Form 10-K for 2001.*

We are party to a number of other instruments defining the rights of holders of long-term debt. No such instrument authorizes an amount of securities in excess of 10% of the total assets of Olin and its subsidiaries on a consolidated basis. Olin agrees to furnish a copy of each instrument to the Commission upon request.

- 10 (a) 1988 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries as amended through January 30, 2003.
- (b) Employee Deferral Plan as amended and restated effective as of January 30, 2003.
- (c) Olin Senior Executive Pension Plan amended as of July 27, 2000—Exhibit 10(d) to Olin's Form 10-Q for the quarter ended September 30, 2000.*
- (d) Olin Supplemental Contributing Employee Ownership Plan as amended through March 1, 2001—Exhibit 10(d) to Olin's Form 10-Q for the quarter ended March 31, 2001.*
- (e) Olin Corporation Key Executive Life Insurance Program.
- (f) Form of executive agreement between Olin and certain executive officers dated November 1, 2002.
- (g) Olin 1991 Long Term Incentive Plan, as amended through January 30, 2003.
- (h) Amended and Restated 1997 Stock Plan for Non-Employee Directors as amended effective January 30, 2003.
- (i) Olin Senior Management Incentive Compensation Plan, as amended through December 9, 1999—Exhibit A to Olin's 2000 Proxy Statement dated March 14, 2000.*
- (j) Description of Restricted Stock Unit Awards granted under the Olin 1991 Long Term Incentive Plan—Exhibit 10(bb) to Olin's Form 10-K for 1995.*
- (k) Description of Restricted Stock Unit Awards granted under the 2000 Long Term Incentive Plan—Exhibit 10(m) to Olin's Form 10-K for 2001.*
- (l) 1996 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries as amended as of January 30, 2003.

- (m) Olin Supplementary and Deferral Benefit Pension Plan restated as of February 8, 1999—Exhibit 10(s) to Olin’s Form 10-Q for the quarter ended March 31, 1999.*
- (n) Olin Corporation 2000 Long Term Incentive Plan as amended through January 30, 2003.
- (o) Olin Corporation 2003 Long Term Incentive Plan.
- (p) 2001 Performance Share Program — Exhibit 10(w) to Olin’s Form 10-Q for quarter ended March 31, 2001.*
- (q) Chase Industries Inc. 1994 Long-Term Incentive Plan, as amended as of May 14, 1997 and First Amendment effective as of November 19, 1999—Exhibit 10.5 to Chase Industries Inc. Form 10-K for 1998 and Exhibit 10.7 to Chase Industries Inc. Form 10-K for 1999, respectively—SEC file No. 1-13394.*
- (r) Chase Industries Inc. 1997 Non-Employee Director Stock Option Plan, as amended May 26, 1998 and First Amendment effective as of November 19, 1999—Exhibit 10.6 to Chase Industries Inc. Form 10-K for 1998 and Exhibit 10.9 to Chase Industries Inc. Form 10-K for 1999, respectively—SEC file No. 1-13394.*
- (s) Chase Industries Inc. 1997 Executive Deferred Compensation Stock Option Plan and First Amendment effective as of November 19, 1999—Exhibit 10.7 to Chase Industries Inc. Form 10-K for 1998 and Exhibit 10.11 to Chase Industries Inc. Form 10-K for 1999, respectively—SEC file No. 1-13394.*
- (t) D. W. Griffin Letter Agreement dated January 31, 2003.
- (u) J. L. McIntosh Letter dated April 12, 2002 and Related Commitment Letter dated April 11, 2002 (portion omitted pursuant to request for confidential treatment).
- (v) Distribution Agreement between Olin Corporation and Arch Chemicals, Inc., dated as of February 1, 1999—Exhibit 2.1 to Olin’s Form 8-K filed February 23, 1999.*
- (w) Partnership Agreement between Olin Sunbelt, Inc. and 1997 Chloralkali Venture Inc. dated August 23, 1996—Exhibit 99.1 to Olin’s Form 8-K dated December 3, 2001.*
- (x) Amendment to Partnership Agreement between Olin Sunbelt, Inc. and 1997 Chloralkali Venture Inc. dated December 23, 1997—Exhibit 99.2 to Olin’s Form 8-K dated December 3, 2001.*
- (y) Amendment to Partnership Agreement between Olin Sunbelt, Inc. and 1997 Chloralkali Venture Inc. dated December 23, 1997—Exhibit 99.3 to Olin’s Form 8-K dated December 3, 2001.*
- (z) Amendment to Partnership Agreement between Olin Sunbelt, Inc. and 1997 Chloralkali Venture Inc. dated April 30, 1998—Exhibit 99.4 to Olin’s Form 8-K dated December 3, 2001.*
- (aa) Amendment to Partnership Agreement between Olin Sunbelt, Inc. and 1997 Chloralkali Venture Inc. dated January 1, 2003.
- (bb) Note Purchase Agreement dated December 22, 1997 between the Sunbelt Chlor Alkali Partnership and the Purchasers named therein—Exhibit 99.5 to Olin’s Form 8-K dated December 3, 2001.*
- (cc) Guarantee Agreement dated December 22, 1997 between Olin and the Purchasers named therein—Exhibit 99.6 to Olin’s Form 8-K dated December 3, 2001.*
- (dd) Subordination Agreement dated December 22, 1997 between Olin and the Subordinated Parties named therein—Exhibit 99.7 to Olin’s Form 8-K dated December 3, 2001.*
- (ee) Voting Agreement between Olin and Court Square Capital Limited dated as of May 7, 2002 and Amendment dated November 5, 2002—Exhibit 2.2 to Olin’s Form 8-K dated May 9, 2002 and Exhibit 99(b) to Olin’s Amendment No. 1 to Form S-3 Registration Statement No. 333-101029 filed on December 20, 2002, respectively.*
- 11 Computation of Per Share Earnings (included in the Note—“Earnings Per Share” to Notes to Consolidated Financial Statements in Item 8.)
- 12 Computation of Ratio of Earnings to Fixed Charges (unaudited).
- 21 List of Subsidiaries.
- 23 Consent of KPMG LLP.
- 99.1 Certification Statement of Chief Executive Officer.
- 99.2 Certification Statement of Chief Financial Officer.

* Previously filed as indicated and incorporated herein by reference. Exhibits incorporated by reference are located in SEC file No. 1-1070 unless otherwise indicated.

Any of the foregoing exhibits are available from the Company by writing to: Mr. Richard E. Koch, Vice President, Investor Relations and Public Affairs, Olin Corporation, 501 Merritt 7, P.O. Box 4500, Norwalk, CT 06856-4500.

(b) Reports on Form 8-K

Form 8-K furnished under Item 9 on December 17, 2002, furnishing a press release dated December 17, 2002, announcing a possible restructuring charge and a charge in connection with a settlement with the Internal Revenue Service related to company-owned life insurance, and reaffirming Olin’s fourth quarter earnings guidance.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 6, 2003

O L I N C O R P O R A T I O N

By / s / J O S E P H D. R U P P

Joseph D. Rupp
President and
Chief Executive Officer

Pursuant to the requirements 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 date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/ s / J O S E P H D. R U P P	President and Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2003
Joseph D. Rupp		
/ s / D O N A L D W. G R I F F I N	Director and Chairman of the Board	March 6, 2003
Donald W. Griffin		
/ s / J A M E S G. H A S C A L L	Director	March 6, 2003
James G. Hascall		
/ s / W I L L I A M W. H I G G I N S	Director	March 6, 2003
William W. Higgins		
/ s / R A N D A L L W. L A R R I M O R E	Director	March 6, 2003
Randall W. Larrimore		
/ s / S T E P H E N F. P A G E	Director	March 6, 2003
Stephen F. Page		
/ s / G. J A C K S O N R A T C L I F F E , J R .	Director	March 6, 2003
G. Jackson Ratcliffe, Jr.		
/ s / R I C H A R D M. R O M P A L A	Director	March 6, 2003
Richard M. Rompala		
/ s / A N T H O N Y W. R U G G I E R O	Executive Vice President and Chief Financial Officer and Director (Principal Financial Officer)	March 6, 2003
Anthony W. Ruggiero		
/ s / M A R Y E. G A L L A G H E R	Vice President and Controller (Principal Accounting Officer)	March 6, 2003
Mary E. Gallagher		

CERTIFICATIONS

I, Joseph D. Rupp, certify that:

1. I have reviewed this annual report on Form 10-K of Olin Corporation (the “registrant”);

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the “Evaluation Date”); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

/ s / J OSEPH D. R UPP
Joseph D. Rupp
President and Chief Executive Officer

I, Anthony W. Ruggiero, certify that:

1. I have reviewed this annual report on Form 10-K of Olin Corporation (the “registrant”);

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the “Evaluation Date”); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

/ s / A NTHONY W. R UGGIERO
Anthony W. Ruggiero
Executive Vice President and
Chief Financial Officer

**BYLAWS
OF
OLIN CORPORATION
As Amended
Effective
February 18, 2003**

**BYLAWS
of
OLIN CORPORATION**

**ARTICLE I.
MEETINGS OF SHAREHOLDERS.**

SECTION 1. Place of Meetings. All meetings of the shareholders of Olin Corporation (hereinafter called the "Corporation") shall be held at such place, either within or without the Commonwealth of Virginia, as may from time to time be fixed by the Board of Directors of the Corporation (hereinafter called the "Board").

SECTION 2. Annual Meetings. The annual meeting of the shareholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the last Thursday in April in each year (or, if that day shall be a legal holiday, then on the next succeeding business day), or on such other day and/or in such other month as may be fixed by the Board, at such hour as may be specified in the notice thereof.

SECTION 3. Special Meetings. A special meeting of the shareholders for any purpose or purposes, unless otherwise provided by law or in the Articles of Incorporation of the Corporation as from time to time amended (hereinafter called the "Articles"), may be held at any time upon the call of the Board, the Chairman of the Board, the President or the holders of a majority of the shares of the issued and outstanding stock of the Corporation entitled to vote at the meeting.

SECTION 4. Notice of Meetings. Except as otherwise provided by law or the Articles, not less than ten nor more than sixty days' notice in writing of the place, day, hour and purpose or purposes of each meeting of the shareholders, whether annual or special, shall be given to each shareholder of record of the Corporation entitled to vote at such meeting, either by the delivery thereof to such shareholder personally or by the mailing thereof to such shareholder in a postage prepaid envelope addressed to such shareholder at his address as it appears on the stock transfer books of the Corporation; provided, however, that in the case of a special meeting of shareholders called by the shareholders, such notice shall be given at least fifty days before the date of the meeting. Notice of any meeting of shareholders shall not be required to be given to any shareholder who shall attend the meeting in person or by proxy, unless attendance is for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened, or who shall waive notice thereof in writing signed by the shareholder before, at or after such meeting. Notice of any adjourned meeting need not be given, except when expressly required by law.

SECTION 5. Quorum. Shares representing a majority of the votes entitled to be cast on a matter by all classes or series which are entitled to vote thereon and be counted

together collectively, represented in person or by proxy at any meeting of the shareholders, shall constitute a quorum for the transaction of business thereat with respect to such matter, unless otherwise provided by law or the Articles. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, shares representing a majority of the votes cast on the matter of adjournment, either in person or by proxy, may adjourn such meeting from time to time until a quorum is obtained. At any such adjourned meeting at which a quorum has been obtained, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 6. Voting. Unless otherwise provided by law or the Articles, at each meeting of the shareholders each shareholder entitled to vote at such meeting shall be entitled to one vote for each share of stock standing in his name on the books of the Corporation upon any date fixed as hereinafter provided, and may vote either in person or by proxy. Unless demanded by a shareholder present in person or represented by proxy at any meeting of the shareholders and entitled to vote thereon or so directed by the chairman of the meeting, the vote on any matter need not be by ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting or his proxy, and it shall show the number of shares voted.

A shareholder or a shareholder's duly authorized attorney-in-fact may execute a writing authorizing another person or persons to act for such shareholder as proxy. Execution may be accomplished by the shareholder or such shareholder's duly authorized attorney-in-fact or authorized officer, director, employee or agent signing such writing or causing such shareholder's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

The President, any Vice President or the Secretary of the Corporation may approve procedures to enable a shareholder or a shareholder's duly authorized attorney-in-fact to authorize another person or persons to act for such shareholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, internet transmission, telephone transmission or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such transmission must either set forth or be submitted with information from which the judges or inspectors of election can determine that the transmission was authorized by the shareholder or the shareholder's duly authorized attorney-in-fact. If it is determined that such transmissions are valid, the judges or inspectors of election shall specify the information upon which they relied. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 6 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

SECTION 7. Judges. One or more judges or inspectors of election for any meeting of shareholders may be appointed by the chairman of such meeting, for the purpose of

receiving and taking charge of proxies and ballots and deciding all questions as to the qualification of voters, the validity of proxies and ballots and the number of votes properly cast.

SECTION 8. Conduct of Meeting. The chairman of the meeting at each meeting of shareholders shall have all the powers and authority vested in presiding officers by law or practice, without restriction, as well as the authority to conduct an orderly meeting and to impose reasonable limits on the amount of time taken up in remarks by any one shareholder.

SECTION 9. Business Proposed by a Shareholder. To be properly brought before a meeting of shareholders, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) in the case of an annual meeting of shareholders or a special meeting called at the request of shareholders in accordance with these Bylaws, properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be given, either by personal delivery or by United States registered or certified mail, postage prepaid, to the Secretary of the Corporation in the case of an annual meeting, not later than 90 days before the anniversary of the immediately preceding annual meeting and in the case of a special meeting called at the request of shareholders, in accordance with the procedures set forth in Section 10 of Article I of these Bylaws. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented at the meeting with respect to such business, and the reasons for conducting such business at the meeting, (ii) the name and address of record of the shareholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the shareholder and any other person on whose behalf the proposal is made, and (iv) any material interest of the shareholder and any other person on whose behalf the proposal is made, in such business. In the event that a shareholder attempts to bring business before a meeting without complying with the foregoing procedure, the chairman of the meeting may declare to the meeting that the business was not properly brought before the meeting and, if he shall so declare, such business shall not be transacted.

SECTION 10. Special Meeting at Request of Shareholders.
(a) Any holder or holders of record of a majority of the outstanding shares of Common Stock requesting the Corporation to call a special meeting of shareholders pursuant to Section 2 of Article Eighth of the Restated Articles of Incorporation (collectively, the "Initiating Shareholder") shall give written notice of such request to the Secretary of the Corporation at its principal executive offices (the "Notice"). The Notice shall be sent in the manner and contain all the information that would be required in a notice to the Secretary given pursuant to Section 9 of this Article I.

(b) If the Initiating Shareholder owns of record a majority of the outstanding Common Stock as determined by the Secretary of the Corporation, the Corporation shall be required to call the special meeting of shareholders requested by the Initiating Shareholder.

(c) The record date for determining the shareholders of record entitled to vote at a special meeting called pursuant to this Section 10 shall be fixed by the Board of Directors which record date will be within 60 days of the date the Secretary of the Corporation determines the Corporation is required to call such special meeting. Written notice of the meeting shall be mailed by the Corporation to shareholders of record on such record date within 10 days after the record date (or such longer period as may be necessary for the Corporation to file its proxy materials with, and receive and respond to the comments of, the Securities and Exchange Commission), and the meeting will be held within 50 days after the date of mailing of the notice, as determined by the Board of Directors.

(d) The business to be conducted at a special meeting called pursuant to this Section 10 shall be limited to the business set forth in the Notice and such other business or proposals as the Board of Directors shall determine and shall be set forth in the notice of meeting. The Board of Directors or the Chairman of the Board of Directors may determine other rules and procedures for the conduct of the meeting.

ARTICLE II. BOARD OF DIRECTORS.

SECTION 1. Number, Classification, Term, Election. The property, business and affairs of the Corporation shall be managed under the direction of the Board as from time to time constituted. The Board shall consist of nine directors, but the number of directors may be increased to any number, not more than eighteen directors, or decreased to any number, not less than three directors, by amendment of these Bylaws. No director need be a shareholder. The Board shall be divided into three classes, Class I, Class II and Class III, as nearly equal in number as possible, with the members of each class to serve for the respective terms of office provided in the Articles, and until their respective successors shall have been duly elected or until death or resignation or until removal in the manner hereinafter provided. In case the number of directors shall be increased, the additional directors to fill the vacancies caused by such increase shall be elected in accordance with the provisions of Section 4 of Article VI of these Bylaws. Any increase or decrease in the number of directors shall be so apportioned among the classes by the Board as to make all classes as nearly equal in number as possible.

Subject to the rights of holders of any Preferred Stock outstanding, nominations for the election of directors may be made by the Board or a committee appointed by the

Board or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if it is an annual meeting and written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States registered or certified mail, postage prepaid, to the Secretary of the Corporation not later than 90 days before the anniversary of the immediately preceding annual meeting. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting (stating the class and number thereof) and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated or intended to be nominated by the Board of Directors, and shall include a consent signed by each such nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination by a shareholder of any person that is not made in compliance with the foregoing procedure.

SECTION 2. Compensation. Each director, in consideration of his serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at Board and Committee meetings, or both, in cash or other property, including securities of the Corporation, as the Board shall from time to time determine, together with reimbursements for the reasonable expenses incurred by him in connection with the performance of his duties. Nothing contained herein shall preclude any director from serving the Corporation, or any subsidiary or affiliated corporation, in any other capacity and receiving proper compensation therefor. If the Board adopts a resolution to that effect, any director may elect to defer all or any part of the annual and other fees hereinabove referred to for such period and on such terms and conditions as shall be permitted by such resolution.

SECTION 3. Place of Meetings. The Board may hold its meetings at such place or places within or without the Commonwealth of Virginia as it may from time to time by resolution determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

SECTION 4. Organization Meeting. After each annual election of directors, as soon as conveniently may be, the newly constituted Board shall meet for the purposes of organization. At such organization meeting, the newly constituted Board shall elect officers of the Corporation and transact such other business as shall come before the meeting. Notice of organization meetings of the Board need not be given. Any organization meeting may be held at any other time or place which shall be specified in a notice given

as hereinafter provided for special meetings of the Board, or in a waiver of notice thereof signed by all the directors.

SECTION 5. Regular Meetings. Regular meetings of the Board may be held at such time and place as may from time to time be specified in a resolution adopted by the Board then in effect; and, unless otherwise required by such resolution, or by law, notice of any such regular meeting need not be given.

SECTION 6. Special Meetings. Special meetings of the Board shall be held whenever called by the Chief Executive Officer, or by the Secretary at the request of any three directors. Notice of a special meeting shall be mailed to each director, addressed to him at his residence or usual place of business, not later than the second day before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph, cable or wireless, or be delivered personally or by telephone, not later than the day before the day on which such meeting is to be held. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice of such meeting, unless required by the Articles.

SECTION 7. Quorum. At each meeting of the Board the presence of a majority of the number of directors fixed by these Bylaws shall be necessary to constitute a quorum. The act of a majority of the directors present at a meeting at which a quorum shall be present shall be the act of the Board, except as may be otherwise provided by law or by these Bylaws. Any meeting of the Board may be adjourned by a majority vote of the directors present at such meeting. Notice of any adjourned meeting need not be given.

SECTION 8. Waivers of Notice of Meetings. Anything in these Bylaws or in any resolution adopted by the Board to the contrary notwithstanding, notice of any meeting of the Board need not be given to any director if such notice shall be waived in writing signed by such director before, at or after the meeting, or if such director shall be present at the meeting. Any meeting of the Board shall be a legal meeting without any notice having been given or regardless of the giving of any notice or the adoption of any resolution in reference thereto, if every member of the Board shall be present thereat. Except as otherwise provided by law or these Bylaws, waivers of notice of any meeting of the Board need not contain any statement of the purpose of the meeting.

SECTION 9. Telephone Meetings. Members of the Board or any committee may participate in a meeting of the Board or such committee by means of a conference telephone or other means of communications whereby all directors participating may simultaneously hear each other during the meeting, and participation by such means shall constitute presence in person at such meeting.

SECTION 10. Actions Without Meetings. Any action that may be taken at a meeting of the Board or of a committee may be taken without a meeting if a consent in writing, setting forth the action, shall be signed, either before or after such action, by all of the directors or all of the members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote.

ARTICLE III. ¹
INDEMNIFICATION AND LIMIT ON LIABILITY.

(a) Every person who is or was a director, officer or employee of the Corporation, or who, at the request of the Corporation, serves or has served in any such capacity with another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise shall be indemnified by the Corporation against any and all liability and reasonable expense that may be incurred by him in connection with or resulting from any claim, action or proceeding (whether brought in the right of the Corporation or any such other corporation, entity, plan or otherwise), civil or criminal, in which he may become involved, as a party or otherwise, by reason of his being or having been a director, officer or employee of the Corporation, or such other corporation, entity or plan while serving at the request of the Corporation, whether or not he continues to be such at the time such liability or expense shall have been incurred, unless such person engaged in willful misconduct or a knowing violation of the criminal law.

As used in this Article III: (i) the terms “liability” and “expense” shall include, but shall not be limited to, counsel fees and disbursements and amounts of judgments, fines or penalties against, and amounts paid in settlement by, a director, officer or employee; (ii) the terms “director,” “officer” and “employee,” unless the context otherwise requires, include the estate or personal representative of any such person; (iii) a person is considered to be serving an employee benefit plan as a director, officer or employee of the plan at the Corporation’s request if his duties to the Corporation also impose duties on, or otherwise involve services by, him to the plan or, in connection with the plan, to participants in or beneficiaries of the plan; (iv) the term “occurrence” means any act or failure to act, actual or alleged, giving rise to a claim, action or proceeding; and (v) service as a trustee or as a member of a management or similar committee of a partnership or joint venture shall be considered service as a director, officer or employee of the trust, partnership or joint venture.

The termination of any claim, action or proceeding, civil or criminal, by judgment, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that a director, officer or employee did not meet the standards of conduct set forth in this paragraph (a). The burden of proof shall be on the Corporation to establish, by a preponderance of the evidence, that the relevant standards of conduct set forth in this paragraph (a) have not been met.

(b) Any indemnification under paragraph (a) of this Article shall be made unless (i) the Board, acting by a majority vote of those directors who were directors at the time of the occurrence giving rise to the claim, action or proceeding involved and who are not at the time parties to such claim, action or proceeding (provided there are at least five such

¹ Compiler’s Note: This Article III was adopted by the shareholders at the Annual Meeting of Shareholders, April 28, 1994.

directors), finds that the director, officer or employee has not met the relevant standards of conduct set forth in such paragraph (a), or (ii) if there are not at least five such directors, the Corporation's principal Virginia legal counsel, as last designated by the Board as such prior to the time of the occurrence giving rise to the claim, action or proceeding involved, or in the event for any reason such Virginia counsel is unwilling to so serve, then Virginia legal counsel mutually acceptable to the Corporation and the person seeking indemnification, deliver to the Corporation their written advice that, in their opinion, such standards have not been met.

(c) Expenses incurred with respect to any claim, action or proceeding of the character described in paragraph (a) shall, except as otherwise set forth in this paragraph (c), be advanced by the Corporation prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this Article III. No security shall be required for such undertaking and such undertaking shall be accepted without reference to the recipient's financial ability to make repayment. Notwithstanding the foregoing, the Corporation may refrain from, or suspend, payment of expenses in advance if at any time before delivery of the final finding described in paragraph (b), the Board or Virginia legal counsel, as the case may be, acting in accordance with the procedures set forth in paragraph (b), find by a preponderance of the evidence then available that the officer, director or employee has not met the relevant standards of conduct set forth in paragraph (a).

(d) No amendment or repeal of this Article III shall adversely affect or deny to any director, officer or employee the rights of indemnification provided in this Article III with respect to any liability or expense arising out of a claim, action or proceeding based in whole or substantial part on an occurrence the inception of which takes place before or while this Article III, as adopted by the shareholders of the Corporation at the 1986 Annual Meeting of the Corporation, is in effect. The provisions of this paragraph (d) shall apply to any such claim, action or proceeding whenever commenced, including any such claim, action or proceeding commenced after any amendment or repeal to this Article III.

(e) The rights of indemnification provided in this Article III shall be in addition to any rights to which any such director, officer or employee may otherwise be entitled by contraction or as a matter of law.

(f) In any proceeding brought by or in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, no director or officer of the Corporation shall be liable to the Corporation or its shareholders for monetary damages with respect to any transaction, occurrence or course of conduct, whether prior or subsequent to the effective date of this Article III, except for liability resulting from such person's having engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

(g) An amendment to this Article III shall be approved only by a majority of the votes entitled to be cast by each voting group entitled to vote thereon.

**ARTICLE IV.
COMMITTEES.**

SECTION 1. Executive Committee. The Board may, by resolution or resolutions adopted by a majority of the number of directors fixed by these Bylaws, appoint two or more directors to constitute an Executive Committee, each member of which shall serve as such during the pleasure of the Board, and may designate for such Committee a Chairman, who shall continue as such during the pleasure of the Board.

All completed action by the Executive Committee shall be reported to the Board at its meeting next succeeding such action or at its meeting held in the month following the taking of such action, and shall be subject to revision or alteration by the Board; provided, that no acts or rights of third parties shall be affected by any such revision or alteration.

The Executive Committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. At all meetings of the Executive Committee, a majority of the full number of members of such Committee shall constitute a quorum, and in every case the affirmative vote of a majority of members present at any meeting of the Executive Committee at which a quorum is present shall be necessary for the adoption of any resolution.

During the intervals between the meetings of the Board, the Executive Committee shall possess and may exercise all the power and authority of the Board (including, without limitation, all the power and authority of the Board in the management, control and direction of the financial affairs of the Corporation) except with respect to those matters reserved to the Board by Virginia law, in such manner as the Executive Committee shall deem best for the interests of the Corporation, in all cases in which specific directions shall not have been given by the Board.

SECTION 2. Other Committees. To the extent permitted by law, the Board may from time to time by resolution adopted by a majority of the number of directors fixed by these Bylaws create such other committees of directors, officers, employees or other persons designated by it as the Board shall deem advisable and with such limited authority, functions and duties as the Board shall by resolution prescribe. The Board shall have the power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

**ARTICLE V.
OFFICERS.**

SECTION 1. Number, Term, Election. The officers of the Corporation shall be a Chief Executive Officer, a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, a Controller and a Secretary. The Board may appoint such other officers and such assistant officers and agents with such powers and duties as the Board may find necessary or convenient to carry on the business of the Corporation. Such officers and assistant officers shall serve until their successors shall be chosen, or as otherwise provided in these Bylaws. Any two or more offices may be held by the same person.

SECTION 2. Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board and any Executive Committee, have full authority and responsibility for directing the conduct of the business, affairs and operations of the Corporation. In addition to acting as Chief Executive Officer of the Corporation, he shall perform such other duties and exercise such other powers as may from time to time be prescribed by the Board and shall see that all orders and resolutions of the Board and any Executive Committee are carried into effect. In the event of the inability of the Chief Executive Officer to act, the Board will designate an officer of the Corporation to perform the duties of that office.

SECTION 3. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board and of the shareholders and, in the absence of the Chairman of the Executive Committee, at all meetings of the Executive Committee. He shall perform such other duties and exercise such other powers as may from time to time be prescribed by the Board or, if he shall not be the Chief Executive Officer, by the Chief Executive Officer.

SECTION 4. President. The President shall have such powers and perform such duties as may from time to time be prescribed by the Board or, if he shall not be the Chief Executive Officer, by the Chief Executive Officer.

SECTION 5. Vice Presidents. Each Vice President shall have such powers and perform such duties as may from time to time be prescribed by the Board, the Chief Executive Officer or any officer to whom the Chief Executive Officer may have delegated such authority.

SECTION 6. Treasurer. The Treasurer shall have the general care and custody of the funds and securities of the Corporation. He shall perform such other duties and exercise such other powers as may from time to time be prescribed by the Board, the Chief Executive Officer or any officer to whom the Chief Executive Officer may have delegated such authority. If the Board shall so determine, he shall give a bond for the faithful performance of his duties, in such sum as the Board may determine to be proper, the expense of which shall be borne by the Corporation. To such extent as the Board

shall deem proper, the duties of the Treasurer may be performed by one or more assistants, to be appointed by the Board.

SECTION 7. Controller. The Controller shall be the accounting officer of the Corporation. He shall keep full and accurate accounts of all assets, liabilities, receipts and disbursements and other transactions of the Corporation and cause regular audits of the books and records of the Corporation to be made. He shall also perform such other duties and exercise such other powers as may from time to time be prescribed by the Board, the Chief Executive Officer or any officer to whom the Chief Executive Officer may have delegated such authority. If the Board shall so determine, he shall give a bond for the faithful performance of his duties, in such sum as the Board may determine to be proper, the expense of which shall be borne by the Corporation. To such extent as the Board shall deem proper, the duties of the Controller may be performed by one or more assistants, to be appointed by the Board.

SECTION 8. Secretary. The Secretary shall keep the minutes of meetings of shareholders, of the Board, and, when requested, of Committees of the Board; and he shall attend to the giving and serving of notices of all meetings thereof. He shall keep or cause to be kept such stock and other books, showing the names of the shareholders of the Corporation, and all other particulars regarding them, as may be required by law. He shall also perform such other duties and exercise such other powers as may from time to time be prescribed by the Board, the Chief Executive Officer or any officer to whom the Chief Executive Officer may have delegated such authority. To such extent as the Board shall deem proper, the duties of the Secretary may be performed by one or more assistants, to be appointed by the Board.

ARTICLE VI. REMOVALS, RESIGNATIONS AND VACANCIES.

SECTION 1. Removal of Directors. Any director may be removed at any time but only with cause, by the affirmative vote of the holders of record of a majority of the shares of the Corporation entitled to vote on the election of directors, taken at an annual meeting of the shareholders.

SECTION 2. Removal of Officers. Any officer, assistant officer or agent of the Corporation may be removed at any time, either with or without cause, by the Board in its absolute discretion. Any such removal shall be without prejudice to the recovery of damages for breach of the contract rights, if any, of the officer, assistant officer or agent removed. Election or appointment of an officer, assistant officer or agent shall not of itself create contract rights.

SECTION 3. Resignation. Any director, officer or assistant officer of the Corporation may resign as such at any time by giving written notice of his resignation to the Board, the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no time is specified therein,

at the time of delivery thereof, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4. Vacancies. Any vacancy in the Board caused by death, resignation, disqualification, removal, an increase in the number of directors, or any other cause, may be filled (a) by the holders of shares of the Corporation entitled to vote on the election of directors, but only at an annual meeting of shareholders, or (b) by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board at any regular or special meeting thereof. Each director so elected by the Board shall hold office until the next annual election of directors, and each director so elected by the shareholders shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which he has been elected expires, and, in each case, until his successor shall be elected, or until his death, or until he shall resign, or until he shall have been removed in the manner hereinabove provided. Any vacancy in the office of any officer or assistant officer caused by death, resignation, removal or any other cause, may be filled by the Board for the unexpired portion of the term.

ARTICLE VII. CONTRACTS, LOANS, CHECKS, DRAFTS, DEPOSITS, ETC.

SECTION 1. Execution of Contracts. Except as otherwise provided by law or by these Bylaws, the Board (i) may authorize any officer, employee or agent of the Corporation to execute and deliver any contract, agreement or other instrument in writing in the name and on behalf of the Corporation, and (ii) may authorize any officer, employee or agent of the Corporation so authorized by the Board to delegate such authority by written instrument to other officers, employees or agents of the Corporation. Any such authorization by the Board may be general or specific and shall be subject to such limitations and restrictions as may be imposed by the Board. Any such delegation of authority by an officer, employee or agent may be general or specific, may authorize re-delegation, and shall be subject to such limitations and restrictions as may be imposed in the written instrument of delegation by the person making such delegation.

SECTION 2. Loans. No loans shall be contracted on behalf of the Corporation and no negotiable paper shall be issued in its name unless authorized by the Board. When authorized by the Board, any officer, employee or agent of the Corporation may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation and when so authorized may pledge, hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority may be general or confined to specific instances.

SECTION 3. Checks, Drafts, etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all notes or other evidences of

indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by the Board.

SECTION 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select or as may be selected by the Treasurer or any other officer, employee or agent of the Corporation to whom such power may from time to time be delegated by the Board.

SECTION 5. Voting of Securities. Unless otherwise provided by the Board, the Chief Executive Officer may from time to time appoint an attorney or attorneys, or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as such officer may deem necessary or proper in the premises.

ARTICLE VIII. CAPITAL STOCK.

SECTION 1. Certificates. Every shareholder shall be entitled to a certificate, or certificates, in such form as shall be approved by the Board, signed by the Chairman of the Board, the President or a Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer or any other officer authorized by these Bylaws or a resolution of the Board, certifying the number of shares owned by him in the Corporation. Any such certificate may, but need not, bear the seal of the Corporation or a facsimile thereof. If any such certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation or an employee of the Corporation, the signatures of any of the officers above specified upon such certificate may be facsimiles. In case any such officer who shall have signed or whose facsimile signature shall have been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued by the Corporation with the same effect as if such officer had not ceased to be such at the date of its issue.

SECTION 2. Transfers. Shares of stock of the Corporation shall be transferable on the stock books of the Corporation by the holder in person or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or the transfer agent, but, except as hereinafter provided in the case of loss, destruction or mutilation of certificates, no transfer of stock shall be entered until the previous certificate, if any, given

for the same shall have been surrendered and canceled. Except as otherwise provided by law, no transfer of shares shall be valid as against the Corporation, its shareholders or creditors, for any purpose, until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred. The Board may also make such additional rules and regulations as it may deem expedient concerning the issue and transfer of certificates representing shares of the capital stock of the Corporation.

SECTION 3. Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the Board fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

SECTION 4. Lost, Destroyed or Mutilated Certificates. In case of loss, destruction or mutilation of any certificate of stock, another may be issued in its place upon proof of such loss, destruction or mutilation and upon the giving of a bond of indemnity to the Corporation in such form and in such sum as the Board may direct; provided that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper so to do.

SECTION 5. Control Share Acquisitions. Article 14.1 of Chapter 9 of Title 13.1 of the Code of Virginia shall not apply to acquisitions of shares of the Corporation.

ARTICLE IX. INSPECTION OF RECORDS.

The Board from time to time shall determine whether, to what extent, at what times and places, and under what conditions and regulations the accounts and books and papers of the Corporation, or any of them, shall be open for the inspection of the shareholders, and no shareholder shall have any right to inspect any account or book or paper of the Corporation except as expressly conferred by statute or by these Bylaws or authorized by the Board.

**ARTICLE X.
AUDITOR.**

The Board shall annually appoint an independent accountant who shall carefully examine the books of the Corporation. One such examination shall be made immediately after the close of the fiscal year and be ready for presentation at the annual meeting of shareholders of the Corporation, and such other examinations shall be made as the Board may direct.

**ARTICLE XI.
SEAL.**

The seal of the Corporation shall be circular in form and shall bear the name of the Corporation and the year "1892."

**ARTICLE XII.
FISCAL YEAR.**

The fiscal year of the Corporation shall end on the 31st day of December in each year.

**ARTICLE XIII.
AMENDMENTS.**

The Bylaws of the Corporation may be altered, amended or repealed and new Bylaws may be adopted by the Board (except as Section 1 of Article II may otherwise require), or by the holders of the outstanding shares of the Corporation entitled to vote generally at any annual or special meeting of the shareholders when notice thereof shall have been given in the notice of the meeting of shareholders.

EMERGENCY BYLAWS.

SECTION 1. Definitions. As used in these Emergency Bylaws,

(a) the term “period of emergency” shall mean any period during which a quorum of the Board cannot readily be assembled because of some catastrophic event.

(b) the term “incapacitated” shall mean that the individual to whom such term is applied shall not have been determined to be dead but shall be missing or unable to discharge the responsibilities of his office; and

(c) the term “senior officer” shall mean the Chairman of the Board, the President, any corporate Vice President, the Treasurer, the Controller and the Secretary, and any other person who may have been so designated by the Board before the emergency.

SECTION 2. Applicability. These Emergency Bylaws, as from time to time amended, shall be operative only during any period of emergency. To the extent not inconsistent with these Emergency Bylaws, all provisions of the regular Bylaws of the Corporation shall remain in effect during any period of emergency.

No officer, director or employee shall be liable for actions taken in good faith in accordance with these Emergency Bylaws.

SECTION 3. Board of Directors. (a) A meeting of the Board may be called by any director or senior officer of the Corporation. Notice of any meeting of the Board need be given only to such of the directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio, and at a time less than twenty-four hours before the meeting if deemed necessary by the person giving notice.

(b) At any meeting of the Board, three directors in attendance shall constitute a quorum. Any act of a majority of the directors present at a meeting at which a quorum shall be present shall be the act of the Board. If less than three directors should be present at a meeting of the Board, any senior officer of the Corporation in attendance at such meeting shall serve as a director for such meeting, selected in order of rank and within the same rank in order of seniority.

(c) In addition to the Board’s powers under the regular Bylaws of the Corporation to fill vacancies on the Board, the Board may elect any individual as a director to replace any director who may be incapacitated and to serve until the latter ceases to be incapacitated or until the termination of the period of emergency, whichever first occurs. In considering officers of the Corporation for election to the Board, the rank and seniority of individual officers shall not be pertinent.

(d) The Board, during as well as before any such emergency, may change the principal office or designate several alternative offices or authorize the officers to do so.

SECTION 4. Appointment of Officers. In addition to the Board’s powers under the regular Bylaws of the Corporation with respect to the election of officers, the Board may

elect any individual as an officer to replace any officer who may be incapacitated and to serve until the latter ceases to be incapacitated.

SECTION 5. Amendments. These Emergency Bylaws shall be subject to repeal or change by further action of the Board of Directors or by action of the shareholders, except that no such repeal or change shall modify the provisions of the second paragraph of Section 2 with regard to action or inaction prior to the time of such repeal or change. Any such amendment of these Emergency Bylaws may make any further or different provision that may be practical and necessary for the circumstances of the emergency.

1988 STOCK OPTION PLAN FOR KEY EMPLOYEES OF OLIN CORPORATION AND SUBSIDIARIES (As Amended Through January 30, 2003)

1. Purpose of the Plan. The general purpose of the 1988 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries (the "Plan") is to aid in attracting, maintaining and developing a management capable of assuring the future success of Olin Corporation ("Olin") by providing to key employees of Olin and its subsidiaries additional incentive to enlarge their proprietary interest in Olin, to continue and increase their efforts on Olin's behalf and to remain in the employ of Olin or its subsidiaries.

2. Shares Subject to the Plan. Options may be granted from time to time under the Plan in respect of an aggregate of not exceeding 1,100,000 shares of Common Stock of Olin (subject to the provisions in paragraph 15 hereof). If any option granted under the Plan shall expire or terminate for any reason other than its surrender pursuant to paragraph 7 (including, without limitation, by reason of its surrender or cancellation, in whole or in part, or the substitution therefor of a new option) without having been exercised in full, the unpurchased shares subject thereto shall (unless the Plan shall have been terminated) again be available for other options to be granted under the Plan.

3. Administration of the Plan. The Plan shall be administered by a Committee on Stock Options (the "Committee") appointed by the Board of Directors of Olin and consisting of not less than three of those members of the Board of Directors who are not eligible to participate in the Plan or who shall have advised the Board of Directors in writing that they irrevocably waive any rights under the Plan.

The Committee shall have plenary authority in its discretion, but subject to the express provisions of the Plan, to determine the purchase price of the Common Stock covered by each option, the employees to whom, and the time or times at which, options shall be granted and the number of shares to be covered by each option; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to it; to determine the terms and provisions (and amendments thereof) of the respective option agreements (which need not be identical), including, if the Committee shall determine that a particular option is to conform to the requirements of any provision of the Internal Revenue Code as amended from time to time, such terms and provisions (and amendments) as shall be requisite in the judgment of the Committee to provide therefor or to conform to any change in any law or regulation applicable thereto; and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee's determination on the foregoing matters shall be conclusive.

The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by not less than a majority of its members. A decision or determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable. The Committee may designate the Secretary of Olin or other employees of Olin to assist the Committee in the administration of the Plan and may grant authority to such persons to execute option agreements or other documents on behalf of the Committee.

4. Eligibility; Factors to be Considered in Granting Options. Options may be granted only to regular employees (including officers) of Olin and of its present and future subsidiary corporations ("subsidiaries"). A Director of Olin or of a subsidiary who is not also such an employee will not be eligible to receive an option. In determining the employees to whom options shall be granted and the number of shares to be covered by each option, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of Olin, and such other factors as the Committee in its discretion shall deem relevant. An employee who has been granted an option under the Plan or under any prior stock option plan of Olin may be granted an additional option or options if the Committee shall so determine. Nothing contained in the Plan shall be construed to limit the right of Olin to grant or assume options otherwise than under the Plan in connection with the acquisition by purchase, lease, merger, consolidation or otherwise of the business and assets of any corporation, firm or association, including options granted to employees thereof who become employees of Olin or a subsidiary, or for other proper corporate purposes.

5. Option Prices. The purchase price of the Common Stock covered by each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock at the time of granting the option. Such fair market value shall be determined by the Committee and shall be taken at no less than the mean of the high and low sales prices of the Common Stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues on such date or, if the Common Stock was not traded on such date, on the first preceding day on which the Common Stock was traded.

6. Exercise of Options. The Committee shall have authority in its discretion to prescribe in any option agreement that the option will be exercisable in full at any time or from time to time during the term of the option, or to provide for the exercise thereof in such installments at such times during said term as the Committee may determine. An option may be exercised, at any time or from time to time during the term of the option, as to any or all full shares which have become purchasable under the provisions of the option but not less than 25 shares at any one time. The option price shall be paid in full in cash or its equivalent at the time the option is exercised; provided, however, that the Committee may elect to permit such option price to be paid in shares of Common Stock of Olin, or a combination of

cash and shares of Common Stock of Olin, the fair market value of such Common Stock to be determined for such purpose in such manner as shall be selected by the Committee, but not at more than the mean of the high and low sales prices of the Common Stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues on the date on which the optionee's written notice of exercise is received by Olin, or if the Common Stock was not traded on such day, on the first preceding day on which the Common Stock was traded. The term of each option shall be not more than ten years from the date of granting thereof, or such shorter period as is prescribed in paragraphs 11, 13 and 14 hereof. Except as provided in said paragraphs 11, 13 and 14 hereof, no option may be exercised at any time unless the holder thereof is then a regular employee of Olin or one of its subsidiaries. The holder of an option shall not have any of the rights of a stockholder with respect to the shares covered by his or her option until such shares shall be issued to him or her upon the due exercise of the option.

In lieu of requiring an optionee to pay in cash such federal, state or local income taxes as may be applicable to exercise of an option ("withholding taxes"), the Committee may elect to permit withholding taxes to be paid by the optionee in shares of Common Stock of Olin or in a combination of cash and shares of Common Stock of Olin, the fair market value of such Common Stock to be determined for such purpose as provided in the next preceding paragraph with respect to the use of Common Stock of Olin in payment of the option price.

Shares delivered in payment of an option price or for withholding taxes may be shares withheld by Olin upon exercise of an option or shares already owned by the optionee.

7. Stock Appreciation Rights. The Committee shall have the authority in its discretion to grant a stock appreciation right ("SAR") to an optionee which shall relate to and have the same terms and conditions as a specific option granted to the optionee under the Plan (the "related option") together with such additional terms and conditions, if any, as the Committee in its discretion may prescribe. An SAR may be granted at the same time as the related option granted or, except as otherwise provided herein, at any time thereafter prior to the last day on which the related option may be exercised. Each SAR shall be evidenced by written agreement in such form as the Committee shall approve. An SAR shall entitle the optionee, upon surrender of an exercisable related option or an exercisable portion thereof, to receive a payment, at the election of the Committee in cash, shares of Common Stock of Olin (and such other shares as may be deliverable as a result of an adjustment pursuant to paragraph 15 ("adjustment shares")) or a combination of cash and shares of Common Stock of Olin (and adjustment shares) equivalent to the appreciated value of the shares that the optionee would have been entitled to purchase pursuant to the related option or portion thereof surrendered. Such appreciated value shall be the difference between the option price of such shares (as adjusted pursuant to paragraph 15) and the fair market value of such shares (as defined in paragraph 5) on the date on which the optionee's notice of exercise is received by Olin. If all or a portion of such payment is made in shares of Common Stock of Olin (or adjustment shares), the shares shall be valued for purposes of such payment at their fair market value, as defined in paragraph 5, on the date on which the optionee's written notice of

exercise is received by Olin. No fractional shares shall be issued as a result of exercising an SAR.

An SAR shall be exercisable only during the period when the related option is also exercisable. In no event shall an SAR or the related option held by an optionee who is subject to the limitations of Section 16(b) of the Securities Exchange Act be exercisable during the first six months following its date of grant, provided that this restriction shall not apply in the event of the death or disability of the optionee prior to the expiration of such six-month period. If an SAR is exercised, the related option shall cease to be exercisable to the extent of the number of shares with respect to which the SAR was exercised. Upon the exercise or termination of a related option, the SAR granted with respect thereto shall terminate to the extent of the number of shares as to which the related option was exercised or terminated.

In lieu of requiring an optionee to pay cash and receive certificates for shares of Common Stock of Olin (and adjustment shares) upon the exercise of an option, if the option agreement so provides, initially or by amendment, the Committee may elect to require the optionee to surrender the option to Olin for cancellation as to all or any portion of the number of shares covered by the intended exercise and receive in exchange for such surrender a payment, at the election of the Committee, in cash, in shares of Common Stock of Olin (and adjustment shares), or a combination of cash and shares of Common Stock of Olin (and adjustment shares) equivalent to the appreciated value of the shares covered by the option surrendered for cancellation. Such appreciated value shall be the difference between the option price of such shares (as adjusted pursuant to paragraph 15) and the fair market value of such shares, as defined in paragraph 5, on the date on which the optionee's notice of exercise is received by Olin. If all or any part of such payment shall be in shares of Common Stock of Olin (or adjustment shares), the shares shall be valued for purposes of such payment at their fair market value, as defined in paragraph 5, on the date on which the optionee's notice of exercise is received by Olin. Upon delivery to Olin of a notice of exercise of option, the Committee may avail itself of its right to require the optionee to surrender the option to Olin for cancellation as to shares covered by such intended exercise. The Committee's right of election shall expire, if not exercised, at the close of business on the fifth business day following the delivery to Olin of such notice. Should the Committee not exercise such right of election, the delivery of the aforesaid notice of exercise shall constitute an exercise by the optionee of the option to the extent therein set forth, and payment for the shares covered by such exercise shall become due immediately.

8. **Change in Control.** In the event of a Change in Control of Olin, as defined below, each option then outstanding shall become immediately and fully exercisable, notwithstanding any provision therein for the exercise of such option in installments and unless an SAR shall already have been granted with respect to such option, the optionee shall be deemed to hold an SAR related to such option, exercisable in accordance with and subject to all of the terms and conditions of the first two paragraphs of paragraph 7, for the number of shares exercisable under such option after giving effect to such acceleration. Such SAR may, but need not be, evidenced by separate written agreement. For the purposes of this

paragraph 8, a Change in Control shall mean the occurrence of any one of the following events:

(i) individuals who, on November 1, 2002, constitute Olin's Board of Directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of Olin's Board of Directors; provided that any person becoming a director subsequent to November 1, 2002, whose election or nomination for election was

approved (either by a specific vote or by approval of the proxy statement of Olin in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than Olin's Board of Directors shall be deemed to be an Incumbent Director;

(ii) any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of Olin's then outstanding securities eligible to vote for the election of Olin's Board of Directors (the "Olin Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a "Reorganization") or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a "Sale"), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or

Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by Olin's Board of Directors of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a "Non-Qualifying Transaction");

(iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

Notwithstanding the foregoing, the acquisition by any person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned by such person, a Change in Control of Olin shall then be deemed to occur.

9. Employee's Agreement to Serve . Each employee receiving an option shall, as one of the terms of the option agreement, agree that he or she will, during employment, devote his or her entire time, energy and skill to the service of Olin or a subsidiary and the promotion of its interests, subject to vacations, sick leave and other absences in accordance with the regular policies of, or other reasons satisfactory to, Olin and its subsidiaries. Such employment shall (subject to the terms of any contract between Olin or any such subsidiary and such employee) be at the pleasure of Olin or such subsidiary, and shall be at such compensation as Olin or such subsidiary shall determine from time to time. Upon termination of such employee's employment either (a) for cause or (b) voluntarily on the part of the employee and without the written consent of Olin, any option or options held by him or her under the Plan, to the extent not theretofore exercised, shall forthwith terminate. Retirement pursuant to any retirement plan of Olin or of a subsidiary shall be deemed to be a termination of employment with Olin's consent.

10. Non-transferability of Options . No option granted prior to February 23, 1995 under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and an option may be exercised, during the lifetime of the holder thereof, only by him or her. For options granted on or after February 23, 1995, the preceding sentence shall not apply and the following sentences shall apply: No option granted under the Plan on or after February 23, 1995 shall be transferable otherwise than by will or the laws of descent and distribution, except an option may be transferred by gift to any member of the optionee's immediate family or to a trust for the benefit of one or more of such immediate family members if prior to its granting the Committee shall have adopted a resolution indicating that such option is transferable. During the lifetime of an optionee, an option shall be exercisable only by the optionee unless it has been transferred as permitted hereby, in which case it shall be exercisable only by such transferee. For the purpose of this Paragraph 10 an optionee's "immediate family" shall mean the optionee's spouse, children and grandchildren.

11. Termination of Employment . In the event the employment of an employee to whom an option has been granted under the Plan shall be terminated (otherwise than by reason of death), such option may, subject to the provisions of the next to last sentence of paragraph 9 and to the provisions of paragraph 12, be exercised (to the extent of the number of shares that the employee was entitled to purchase under such option at the termination of employment) at any time within three months after such termination (which three-month period may be extended by the Committee), but in no event shall such three-month period or any such extension permit the exercise of an option after the expiration date of the option specified in the option agreement therefor. Options granted under the Plan shall not be affected by any change of duties or position so long as the optionee continues to be an employee of Olin or of a subsidiary. Nothing in the Plan or in any option granted pursuant thereto shall confer on any employee any right to continue in the employ of Olin or any of its subsidiaries or affect in any way the right of Olin or any of its subsidiaries to terminate his or her employment at any time.

12. Conditions to Enjoyment of Options . The following conditions shall apply to the grant and exercise of options:

(i) The optionee shall not render services to any organization or engage, directly or indirectly, in any business which, in the judgment of the Committee or, if delegated to the Chief Executive Officer, in the judgment of such Officer, is or becomes competitive with Olin or any subsidiary, or which is or becomes otherwise prejudicial to or in conflict with the interests of Olin or any subsidiary. Such judgment shall be based on the optionee's positions and responsibilities while employed by Olin or any subsidiary, the optionee's post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between Olin or a subsidiary and the other organization or business, the effect on customers, suppliers and competitors of the optionee's assuming the post-employment position, the guidelines established in the then current edition of Olin's Code of Business Conduct, and such other considerations as are deemed relevant given the applicable facts and circumstances.

The optionee shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over the counter, and such investment does not represent a substantial investment to the optionee or a greater than 10% equity interest in the organization or business.

(ii) The optionee shall not, without prior written authorization from Olin, disclose to anyone outside Olin, or use in other than Olin's business, any secret or confidential information, knowledge or data, relating to the business of Olin or a subsidiary in violation of his or her agreement with Olin or the subsidiary.

(iii) The optionee, pursuant to his or her agreement with Olin or a subsidiary, shall disclose promptly and assign to Olin or the subsidiary all right, title, and interest in any invention or idea, patentable or not, made or conceived by the optionee during employment by Olin or the subsidiary, relating in any manner to the actual or anticipated business, research or development work of Olin or the subsidiary and shall do anything reasonably necessary to enable Olin or the subsidiary to secure a patent where appropriate in the United States and in foreign countries.

Notwithstanding any other provision of the Plan, the Committee in its sole discretion, which may be delegated to the Chief Executive Officer of Olin, may cancel any option at any time prior to the exercise thereof, if the employment of the optionee shall be terminated, other than by reason of death, unless the conditions in this paragraph 12 are met.

Failure to comply with the conditions of this paragraph 12 prior to, or during the six months after, any exercise shall constitute a rescission of the exercise. The difference between the fair market value (as defined in paragraph 5) on date of exercise of the shares exercised and the option price shall be returned to Olin by the optionee, in cash, within 10 days after notice of the rescission has been given to the optionee by Olin's Chief Executive Officer, chief legal officer or chief personnel officer. Such notice may be given at any time within two years of the date of exercise.

Upon exercise of an option, the optionee shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of the Plan.

13. Death of an Employee . If an employee to whom an option has been granted under the Plan shall die while employed by Olin or a subsidiary or after the termination of such employment, such option may, subject to the provisions of the next to the last sentence of paragraph 9 and to the provisions of paragraph 12, be exercised by the legatee or legatees of the employee under his or her last will, or by his or her personal representatives or distributees, as follows: if an employee dies while so employed, at any time within one year after the employee's death (which one-year period may be extended by the Committee), to the extent of the remaining shares covered by such option, whether or not such shares had become purchasable by the employee at the date of his or her death; and if an employee dies after termination of employment and within the period an option remains exercisable, at any time within the longer of (i) the period that he or she could have exercised the option had he

or she not died or (ii) one year after the date of death (which one-year period may be extended by the Committee), in either case, to the extent of the number of shares purchasable by such employee pursuant to the provisions of paragraph 11 at the date of his or her death. Notwithstanding the provisions of this paragraph 13, no option shall be exercisable after the expiration date specified in the option agreement therefor.

14. Disability of an Employee . If an employee to whom an option has been granted under the Plan shall become totally and permanently disabled, as that term is now defined in Section 105(d)(4) of the Internal Revenue Code, as such Section may be amended from time to time, and the employee's employment with Olin or a subsidiary is terminated as a result, such option may be exercised by such employee within one year after the date of termination of employment, provided that no option shall be exercisable after the expiration date specified in the option agreement therefor nor for more shares than that which could have been purchased thereunder on the date of termination of employment.

15. Adjustments upon Changes in Capitalization . In the event of any change in the outstanding Common Stock of Olin by reason of stock dividends, stock splits, recapitalization, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distributions to common shareholders other than cash dividends, the numbers, class and prices of shares covered by outstanding options granted under the Plan and the aggregate number and class of shares available under the Plan, shall be appropriately adjusted by the Committee, whose determination shall be conclusive. Without limiting the foregoing, in the event of any split-up, split-off, spin-off or other distribution to shareholders of shares representing a part of Olin's business, properties and assets, the Committee may, with the consent of an optionee, modify an outstanding option or options so that such option or options shall thereafter relate to shares of Common Stock of Olin and shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed to shareholders of Olin in the same ratio in which holders of the Common Stock of Olin became entitled to receive shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed.

16. Effectiveness of the Plan . The Plan became effective on April 28, 1988.

17. Time of Granting of Options . The granting of an option pursuant to the Plan shall take place on the date established by the Committee. However, no option may be exercised if the employee to whom the option is granted shall fail to execute and deliver a copy of the option agreement to the Committee or Olin within 60 days after delivery of the option agreement to such employee.

18. Consent of Employee . Every employee who accepts an option under the Plan shall be bound by the terms and restrictions of the Plan and his or her acceptance of an option shall constitute an agreement between him or her and Olin and its subsidiaries and any successors in interest to any of them.

19. Termination and Amendment . Unless the Plan theretofore has been terminated as hereinafter provided, it shall terminate on, and no option shall be granted thereunder after, April 30, 1998. The Board of Directors of Olin may at any time prior to that date terminate the Plan, or make such modification thereof as it shall deem advisable; provided, however, that the Board of Directors may not, without further approval by shareholders of Olin, (a) increase the maximum number of shares for which options may be granted under the Plan, (b) change the manner of determining the minimum option prices, other than to change the manner of determining the fair market value of the Common Stock as stated in paragraph 5 above to conform to any then applicable provisions of the Internal Revenue Code or regulations thereunder, or (c) increase the period during which options may be granted. No termination, modification or amendment of the Plan may, without the consent of the employee to whom any option shall theretofore have been granted, adversely affect the rights of such employee under such option.

20. Incentive Stock Option Limitation . The aggregate fair market value (determined at the time an option is granted) of Common Stock of Olin with respect to which incentive stock options (as defined in Section 422A of the Internal Revenue Code) are exercisable for the first time by an individual during any calendar year (under the Plan and any other stock option plan of the individual's employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000.

OLIN CORPORATION
EMPLOYEE DEFERRAL PLAN

As Amended and Restated Effective January 30, 2003

1. **PURPOSE**

The purpose of this Olin Corporation Employee Deferral Plan (the "Plan") is to provide eligible employees of Olin Corporation and its subsidiaries and affiliates with an opportunity to defer compensation earned or to be earned by them as a means of saving for retirement or other future purposes. The Plan is amended and restated to reflect the distribution to Olin's shareholders of all of the outstanding shares of common stock of Arch Chemicals, Inc., effective as of the date of such distribution.

2. **DEFINITIONS**

The following definitions shall be applicable throughout the Plan:

(a) "Accounting Date" means each December 31, March 31, June 30 and September 30.

(b) "Administrator" means the Senior Vice President, Corporate Affairs or his delegate.

(c) "Arch" means Arch Chemicals, Inc., a Virginia corporation and any successor thereto.

(d) "Arch Common Stock" means shares of common stock of Arch, par value \$1.00 per share.

(e) "Arch Employee" means an employee of Arch.

(f) "Arch Employee Deferral Plan" means the Arch Chemicals, Inc. Employee Deferral Plan.

(g) "Arch Stock Account" means the Stock Account to which Arch Stock Units are credited.

(h) "Arch Stock Unit(s)" means the share equivalents credited to the Arch Stock Account of a Participant's Compensation Account pursuant to Section 6, with one Arch Stock Unit equal to one share of Arch Common Stock.

(i) "Beneficiary" means the person(s) designated by the Participant in accordance with Section 10.

(j) "Board" means the Board of Directors of the Company.

(k) "Cash Account" means an account established under the Plan for a Participant to which compensation has been or is to be credited in the form of cash and which is to earn interest at the Rate of Interest as provided herein.

(l) "Change in Control" means the occurrence of any one of the following events:

(i) individuals who, on November 1, 2002, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to November 1, 2002, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(ii) any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board ("Company Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Company Voting Securities by the Company or any of its subsidiaries, (B) the acquisition of Company Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (C) the acquisition of Company Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Company Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries (a "Reorganization") or sale or other disposition of all or substantially all of

the assets of the Company to an entity that is not an affiliate of the Company (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of the Company (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a “Non-Qualifying Transaction”);

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, the acquisition by any person of beneficial ownership of 20% or more of the combined voting power of Company Voting Securities solely as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such person subsequently becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then be deemed to occur.

(m) “Committee” means the Compensation Committee (or its successor) of the Board.

(n) “Common Stock” means the Company’s common stock, \$1.00 par value per share.

(o) “Company” means Olin Corporation, a Virginia corporation, its divisions and subsidiaries.

(p) “Compensation” means any employee compensation which represents salary, severance pay, bonus, or any other incentive plan payout, in the form of cash or stock, including but not limited to payouts or payment distributions from the EVA Incentive Plan, Performance Unit Plan and 1991 Olin Long Term Incentive Plan but excluding stock resulting from employee stock option exercises and excluding other incentive payouts which the Administrator determines prospectively not eligible to be deferred under this Plan.

(q) “Compensation Account” means the account established under the Plan to which the Participant’s Deferred Compensation is credited, including the Cash Account, Stock Account, and such other investment accounts as the Committee may establish from time to time.

(r) “Corporate Human Resources” means the Corporate Human Resources Department of the Company.

(s) “Credit Date” means with respect to Deferred Compensation, such date as designated by Corporate Human Resources that Deferred Compensation shall be credited to the Compensation Account.

(t) “Deferred Compensation” means the Compensation elected by the Participant to be deferred pursuant to the Plan.

(u) “Distribution” means the distribution of all outstanding shares of Arch Common Stock to the shareholders of the Company.

(v) “Distribution Date” means the dividend payment date fixed by the Board for the Distribution.

(w) “Election” means a Participant’s delivery of a written notice of election to Corporate Human Resources electing to defer payment of all or a portion of his or her Compensation.

(x) “Employee” means a full-time, active salaried employee (which term shall be deemed to include officers) of the Company and its affiliates who has at least 1182 Hay Points and who has been selected by the Administrator, and if required, approved by the Committee, to participate in this Plan.

(y) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(z) “Fair Market Value” means, with respect to a date, on a per share basis, the average of the high and the low price of a share of Common Stock or Arch Common Stock, as the case may be, as reported on the consolidated tape of the New York Stock Exchange on such date or if the New York Stock Exchange is closed on such date, the next succeeding date on which it is open.

(aa) “Fiscal Year” means that annual period commencing January 1 and ending the following December 31.

(bb) “Olin Stock Account” means the Stock Account to which Olin Stock Units are credited from time to time.

(cc) “Olin Stock Unit(s)” means the share equivalents credited to the Olin Stock Account of a Participant’s Compensation Account pursuant to Section 6, with one Olin Stock Unit equal to one share of Common Stock.

(dd) “Participant” means an Employee selected by the Administrator and if required, approved by the Committee, to participate in the Plan and who has elected to defer payment of all or a portion of his or her Compensation under the Plan. “Participant” shall also include any person who had an account under the Prior Plans which has been transferred to this Plan.

(ee) “Plan” means this Olin Corporation Employee Deferral Plan.

(ff) “Prior Plans” mean the deferral plans and arrangements utilized by present and past employees or consultants for the deferral of payouts or distributions of salary, bonuses (other than Bonus bank amounts under the EVA Incentive Plan), performance shares, performance units and retention units, all which were replaced by this Plan as of the effective date of this Plan identified in Section 17.

(gg) “Rate of Interest” means the rate of interest for the quarterly period ending with the Accounting Date equal to (i) the Company’s before-tax cost of borrowing as determined from time to time by the Chief Financial Officer, Controller or Treasurer (or in the event there is no such borrowing, the Federal Reserve A1/P1 Composite rate for 90-day commercial paper plus 10 basis points as determined by such officer) or (ii) such other rate as the Board or the Committee may select prospectively from time to time.

(hh) “Section 16(b) Employee” means an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(ii) “Stock Account” means an account established under the Plan to which shares of Common Stock and Arch Common Stock have been or are to be credited in the form of Olin Stock Units and Arch Stock Units, which shall include the Olin Stock Account and the Arch Stock Account.

(jj) "Stock-based Compensation" means Compensation that is being paid out in the form of shares of Common Stock (excluding stock options), such as retention stock units, performance shares and restricted stock units.

(kk) "Termination" means retirement from the Company or termination of services as an Employee for any other reason; provided, however, that an Employee will not be considered to have incurred a Termination if he or she ceases to provide services to the Company as a result of becoming an Arch Employee.

3. **SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION**

(a) *Shares Authorized for Issuance.* There shall be reserved for issuance under the Plan 100,000 shares of Common Stock, subject to adjustment pursuant to subsection (b) below.

(b) *Adjustments in Certain Events.* In the event of any change in the outstanding Common Stock of the Company or Arch Common Stock by reason of any stock split, share dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange or reclassification of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common shareholders other than cash dividends, the number or kind of shares or Olin Stock Units or Arch Stock Units, as the case may be that may be issued or credited under the Plan may be adjusted by the Committee so that the proportionate interest of the Participants shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes of the Plan.

4. **ELIGIBILITY**

The Administrator shall have the authority to select among any Employees those Employees who shall be eligible to participate in the Plan. Deferrals to a Stock Account by Section 16(b) Employees must be approved by the Committee.

5. **ADMINISTRATION**

Full power and authority to construe, interpret and administer the Plan shall be vested in the Committee. This power and authority includes, but is not limited to, selecting compensation eligible for deferral, establishing deferral terms and conditions and adopting modifications, amendments and procedures as may be deemed necessary, appropriate or convenient by the Committee. Decisions of the Committee shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources.

6. **PARTICIPANT ACCOUNTS**

(a) *Compensation Accounts.* Upon election to participate in the Plan, there shall be established a Compensation Account for the Participant to which there shall be credited any Deferred Compensation as of the Credit Date for such deferral. For each type of Compensation to be deferred, the Plan shall provide for a Cash Account and an Olin Stock Account. Stock-based Compensation may only be deferred to an Olin Stock Account. The Committee may establish from time to time other types of Compensation Accounts reflecting different investment options. Each Participant's Compensation Account shall be credited (or debited) on each Accounting Date with income (or loss) based on a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Plan or the Committee. Gains, losses and other elements of determining value shall be determined substantially on the basis of a hypothetical investment in the various investment options, as determined and applied in the manner deemed appropriate by the Committee.

(b) *Olin Stock Account.* If a Participant elects to invest all or any portion of his or her Deferred Compensation in the Olin Stock Account, that portion of the Participant's Compensation Account shall be credited on the Credit Date with Olin Stock Units equal to the number of shares of Common Stock (including fractions of a share determined to three decimal places) that could have been purchased with the amount of such Deferred Compensation at the Fair Market Value on the Credit Date; provided that in the case of Stock-based Compensation, the Olin Stock Account shall be credited with the number of Olin Stock Units equal to the number of shares being paid out as the Stock-based Compensation.

(c) *Dividends and Interest.* Each time a cash dividend is paid on Common Stock or Arch Common Stock, a Participant who has shares of such stock credited to his or her Stock Account shall receive a credit in applicable Stock Units for such dividends on the dividend payment date to his or her applicable Stock Account. The number of additional Olin Stock Units or Arch Stock Units (rounded to the nearest one-thousandth of a share) credited to the applicable Stock Account will be determined by dividing (i) the product of (a) the dollar value of the cash dividend declared in respect of a share of Common Stock or Arch Common Stock, as applicable, multiplied by (b) the number of Stock Units credited to the Participant's applicable Stock Account as of the dividend record date by (ii) the Fair Market Value of a share of Common Stock or Arch Common Stock, as applicable, on the dividend payment date.

The Cash Account of a Participant shall be credited on each Accounting Date with interest for the quarter ending on such date, payable at the Rate of Interest on such date.

(d) *Prior Plans.* A Participant who had an existing deferred account under the Prior Plans shall automatically have such account transferred to a Compensation Account under this Plan to be maintained and administered pursuant to the terms and conditions of this Plan. A cash account of a Prior Plan shall be transferred to the Cash Account

maintained under the Plan for such Prior Plan and a stock account for a Prior Plan shall be transferred to the Olin Stock Account maintained under this Plan for such Prior Plan.

(e) *Adjustment for Distribution* . Immediately prior to the Distribution, the terms of the Olin Stock Units held in the Olin Stock Accounts of each Participant who will become an Arch Employee shall be amended to provide that such shares shall be paid out in cash based on the Fair Market Value of Olin Stock Units at the time of distribution to the Arch Employees. As of the Distribution Date, the Arch Stock Account of each Participant on such date shall be credited with the number of Arch Stock Units that the Participant would have received in the Distribution Date had the Participant owned directly the number of shares of Common Stock represented by the Olin Stock Units held in his or her Olin Stock Account. As of the Distribution Date, the Cash Account and Stock Account of each Arch Employee (after giving effect to the adjustment described in this Section 6(e)) shall be transferred to the Arch Employees Deferral Plan provided that the Arch Employee provides the Company with a release, acceptable to the Committee, waiving all rights to benefits under this Plan.

Except as provided in Section 6(c) with respect to dividends or in Section 3, no additional contributions or additions may be made to a Participant's Arch Stock Account after the Distribution Date.

(f) *Plan Remains Unfunded*. Amounts credited to a Compensation Account shall remain a part of the general funds of the Company and nothing contained in this Plan shall be deemed to create a trust or fund of any kind or create any fiduciary relationship. Nothing contained herein shall be deemed to give any Participant any ownership or other proprietary, security or other rights in any funds, stock or assets owned or possessed by the Company, whether or not earmarked for the Company's own purposes as a reserve or fund to be utilized by the Company for the discharge of its obligations hereunder. To the extent that any person acquires a right to receive payments or distributions from the Company under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company.

7. MANNER OF ELECTION

(a) *General*. Any Employee selected by the Administrator to participate in the Plan may elect to do so in any Fiscal Year by delivering to Corporate Human Resources a written notice on a form prescribed by Corporate Human Resources electing to defer payment of all or a portion (in 25% increments or other increments so prescribed by the Committee) of his or her Compensation (an "Election"), provided Section 16(b) Employees who elect to defer to an Olin Stock Account must have the prior approval of the Committee. Such Election shall specify whether the payout for the Compensation Account shall be in a lump sum or in annual installments (not to exceed 20). Separate elections may be made with respect to each type of Deferred Compensation; however, Compensation Accounts for the same type of Deferred Compensation shall be paid out in accordance with the same payout schedule. The Election must be filed on or before

December 31 in order to be effective for amounts earned in the immediately succeeding Fiscal Year. An effective Election may not be revoked or modified (except as otherwise stated herein) with respect to a Fiscal Year for which such Election is effective.

(b) *Changes in Election*. A Participant will be allowed to change the Election as provided herein. Any change with respect to the terms of a Participant's Election for (i) amount or form of any future deferral hereunder may be made at any time prior to such Compensation being earned and (ii) the timing (which change may not accelerate a distribution date) or amount of payments from any Compensation Account shall only be effective if made at least six months prior to the payout and in the calendar year prior to the calendar year payout is to occur.

8. **MANNER OF PAYMENT**

(a) *Form of Payment*. In accordance with the Participant's Election, amounts credited to a Participant's Compensation Account will be paid in a lump sum or in the form of annual installments. Except as provided in Section 11, in the case of distributions from the Olin Stock Account (unless the Administrator, or in the case of a Section 16(b) Employee, the Committee, decides it shall be in the form of cash), distributions shall be in shares of Common Stock and in case of distributions from any other Compensation Account (including the Arch Stock Account), distributions shall be in the form of cash (unless the Committee decides it shall be in the form of shares of Common Stock), in each case to the Participant or, in the event of his or her death, to the Beneficiary. If a Participant elects to receive payment in installments, the payment period shall not exceed 20 years. Payment dates shall be January 1 or July 1 pursuant to Participant's Election.

(b) *Calculation for Payments in Cash*. The amount of any cash distribution to be made in installments with respect to a Compensation Account (other than the Olin Stock Account) will be determined by multiplying (i) the balance in such Compensation Account on the payment date by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution). If a Stock Account is to be paid out in cash, the amount of any cash distribution to be made in installments with respect to Stock Units will be determined by (i) multiplying the number of Olin Stock Units or Arch Stock Units attributable to such installment (determined as hereinafter provided) by (ii) the Fair Market Value of a share of Common Stock or Arch Common Stock, as applicable, on the fifth business day immediately prior to the date on which such installment is to be paid. The number of Olin Stock Units or Arch Stock Units, as applicable, attributable to an installment shall be determined by multiplying (i) the current number of Olin Stock Units or Arch Stock Units in the applicable Stock Account by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution).

(c) *Calculation for Payments in Stock*. The amount of any stock distribution to be made in installments with respect to the amount of a Compensation Account

invested in the Olin Stock Account shall be determined by multiplying (i) the current number of Olin Stock Units by (ii) a fraction, the numerator of which is one and the denominator of which is the number of installments in which distributions remain to be made (including the current distribution). If a Compensation Account (other than the Olin Stock Account) is to be paid out in shares of Common Stock, the amount of any stock distribution to be made in installments with respect to such Compensation Account shall be determined by dividing the amount of cash attributable to such installment (determined as provided above) by the Fair Market Value of the Common Stock on the fifth business day immediately prior to the date on which such installment is to be paid.

(d) *Fractional Shares; Required Withholding* . Only whole numbers of shares of Common Stock will be issued, with any fractional shares to be paid in cash. To the extent required by law, taxes shall be withheld from payouts of the Compensation Account, provided that if a fractional share results after withholding, such fractional share shall be withheld as additional tax.

9. COMMENCEMENT OF PAYMENTS

Payments of amounts deferred pursuant to a valid Election shall commence (i) with respect to a lump sum, on January 1 or July 1 as indicated in a Participant's Election and (ii) with respect to annual installments, on January 1 or July 1 of the first calendar year of deferred payment as selected by a Participant in his or her Election. If a Participant dies prior to the first deferred payment specified in an Election or prior to completion of all installments, payments shall commence to the Participant's Beneficiary on the first or next payment date so specified, unless the Administrator elects otherwise to provide for a lump-sum distribution of the deceased Participant's Compensation Accounts.

10. BENEFICIARY DESIGNATION

A Participant may designate one or more persons to whom payments are to be made if the Participant dies before receiving payment of any or all amounts due hereunder. A designation of Beneficiary will be effective only after the signed Election is filed with Corporate Human Resources while the Participant is alive and will cancel all designations of Beneficiary signed and filed earlier. If Corporate Human Resources so permits, Beneficiaries may be designated for each type of Compensation that is deferred. If the Participant fails to designate a Beneficiary as provided above, the remaining unpaid amounts shall be paid in one lump sum to the estate of such Participant. If all Beneficiaries of the Participant die before the Participant or before complete payment of all amounts due hereunder, the remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of such Beneficiaries. A Participant may, at any time prior to death, elect to change the designation of a Beneficiary.

11. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control, each Participant in the Plan shall receive an automatic lump-sum cash distribution of all amounts accrued in the Participant's Compensation Account (including interest at the Rate of Interest from the date of the Change in Control through the business day immediately preceding the date of distribution) not later than 15 days after the date of the Change in Control. For this purpose, the balance in the portion of a Participant's Compensation Account invested in the Olin Stock Account or Arch Stock Account shall be determined by multiplying the number of applicable Stock Units by the higher of (a) the highest Fair Market Value of Common Stock or Arch Common Stock, as applicable, on any date within the period commencing 30 days prior to such Change in Control and ending on the date of the Change in Control, or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock or Arch Common Stock, as applicable, pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Participant is properly entitled to a cash distribution hereunder, such Participant shall also be entitled to interest thereon payable in an amount equivalent to the prime rate of interest as announced from time to time by Citibank, N.A. from the date such distribution should have been made to and including the date it is made.

Notwithstanding any provision of this Plan to the contrary, this Section 11 as applied to any Participant may not be amended or modified to the detriment of a Participant after a Change in Control occurs without the written consent of such Participant.

12. LOANS

The Administrator may, upon rules and procedures established by it, permit Participants to borrow from their Compensation Accounts up to 50% of the value of the Participant's Stock Account and up to 100% of the Participant's other Compensation Accounts with such accounts constituting security for repayment of such borrowings and with such borrowings bearing interest at market rates as determined by the Administrator. In addition to terms established by the Administrator, borrowings shall be subject to the following terms and conditions: (1) a borrowing may not exceed in principal amount outstanding at any one time \$50,000 and the minimum borrowed amount shall be \$1,000, (2) a Participant may not have more than one borrowing outstanding hereunder at any one time, (3) a borrowing shall mature in not more than five years, (4) the annual interest rate

on the borrowing, which shall be fixed during its term (except it may increase in the case of default), shall be 25 basis points over the minimum rate required by the Internal Revenue Service to avoid imputation of income and (5) principal and interest payments will amortize over the life of the borrowing except Participants with borrowings maturing over two years or more may instead elect to make annual principal installment payments of five percent and pay the balance of principal at maturity. Notwithstanding any later maturity date, all such borrowings by Participant become due and payable when the Participant's employment with the Company and any affiliate terminates.

13. **INALIENABILITY OF BENEFITS**

The interests of the Participants and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor subject to attachment, execution, garnishment or other such equitable or legal process. A Participant or Beneficiary cannot waive the provisions of this Section 13.

14. **GOVERNING LAW**

The provisions of this plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Virginia, except to the extent preempted by Federal law.

15. **AMENDMENTS**

The Committee may amend, alter or terminate this Plan at any time without the prior approval of the Board; provided, however, that the Committee may not, without approval by the Board increase the number of securities that may be issued under the Plan (except as provided in Section 3(b)). No amendment or modification may impair the rights of a Participant to receive amounts accrued in the Participant's Compensation Account at the time of the effectiveness of the amendment or modification.

16. **RULE 16b-3 COMPLIANCE**

It is the intention of the Company that all transactions under the Plan be exempt from liability imposed by Section 16(b) of the Exchange Act. Therefore, if any transaction under the Plan is found not to be in compliance with an exemption from such Section 16(b), the provision of the Plan governing such transaction shall be deemed amended so that the transaction does so comply and is so exempt, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of an exemption.

17. **EFFECTIVE DATE**

The Plan became effective as of November 1, 1997, and is amended and restated in this document effective as of the Distribution Date.

**Key Executive
Death Benefits**

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Summary of your Key Executive Death Benefits

Employees who qualify as Key Executives have the following coverages that may provide a death benefit if they die while in Active Service of the Company. This is a brief summary; you are encouraged to read the complete descriptions for more details.

<i>Olin Life Accumulation Program (OLAP)</i>	Provides a life insurance death benefit equal to at least two times Annual Salary rounded to the next \$10,000.
<i>Survivor Income Benefit</i>	Provides monthly payments equal to 30% of Monthly Salary (40% if you have eligible children).
<i>Emergency Death Benefit</i>	Provides a timely payment of one month's salary. This benefit is not available for an employee who is receiving Long Term Disability payments at the time of death.
<i>Corporate Owned Life Insurance (COLI)</i>	Provides a \$5,000 death benefit from Olin's Corporate Owned Life Insurance Program. All Key Executives may not qualify for this benefit.
<i>Accidental Death and Dismemberment (AD&D)</i>	Provides an additional life insurance death benefit equal to two times Annual Salary rounded to the next \$10,000 if death was the result of an accident. See the Accidental Death and Dismemberment Plan for details.
<i>Group Universal Life Insurance</i>	In addition to the coverages described herein that are provided by Olin, you may also purchase Group Universal Life Insurance. This insurance coverage is not an Olin-sponsored benefit and Olin does not pay any of its premiums, therefore, it is not considered an "ERISA benefit" and is not subject to ERISA regulations. Olin does, however, offer the convenience of payroll deducted premiums should you elect to participate in the Group Universal Life Insurance program. This program is administered by Johnson & Higgins KVI, 1776 West Lakes Parkway, West Des Moines, IA 50398. The telephone number is (800) 525-0518. Enrollment materials are available from your Benefits Administrator.

When Coverage Begins

Eligibility

You are eligible for the coverages that are described in this section if you are deemed to be a Key Executive. A Key Executive, for this purpose, is a Full-time employee of the Company whose Hay Points have been determined to be 1,175 or higher. Hay Points are assigned to your position through Olin’s job evaluation process.

If your business unit does not use the Hay Point system for job evaluation, you will be deemed to be a Key Executive if your job content is typical of the job content for other Olin Key Executives and your division president approves your appointment as a Key Executive with rights to benefits under this program.

Premiums

Under this program, Olin pays premiums on your behalf to a universal life insurance policy which will provide a death benefit that is at least equal to two times your Annual Salary rounded to the next \$10,000. Additionally, because this is a universal life insurance policy, the policy may provide cash values which will serve to increase the policy death benefits.

Starting when you are age 55, or when you have 10 years service, if later, Olin will pay additional premiums to your policy to enhance the cash values in the policy, and, in so doing, “pre-fund” the death benefits coverage that is provided upon your retirement from the Company.

In addition to the above premiums, Olin may pay another premium, called An Investment Premium, to further enhance the cash value in the policy. At retirement or termination of employment, Olin will recover the amount paid as Investment Premium plus interest at 9% from the cash value in the policy.

You may also choose to make voluntary contributions to the policy. Such contributions (which are made on an after-tax basis) will serve to increase the policy death benefit and cash values. You may withdraw the cash value attributed to these voluntary contributions at any time.

**Olin Life
Accumulation Program**
continued

The program is designed to ensure that the cash values in the policy are sufficient to provide continued death benefits at retirement from the Company in accordance with the following schedule:

Age at Retirement	Death Benefit as a Percent of Annual Salary Rounded to the next \$10,000
65 or older	50%
64	45%
63	40%
62	35%
61	30%
60	25%
59	20%
58	15%
57	10%
56 and 55	5%

For example, if your Annual Salary is \$125,000 when you retire at age 62, the cash value in the policy will be sufficient to provide death benefits of at least \$45,500 ($130,000 \times 35\%$).

Retirement from Olin at Age 55 or Later

Upon retirement from the Company at age 55 or later, provided you have at least 10 years of service, Olin will transfer ownership of the universal life policy directly to you with the cash value (less Olin's Investment Premium, if any) and applicable death benefit. You will have the following options at that time:

1. You may choose to leave the cash values in the policy and reduce the death benefit as described in the schedule above. The cash value will be applied towards premiums.

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2. You may pay additional premiums and maintain your current level of death benefit as if you were still employed.
 3. You may withdraw some, or all, of the cash values in the policy and thereby reduce or eliminate the policy death benefit.

The Olin Life Accumulation program is administered by William Lynch and Associates Inc., 13577 Feather Sound Drive, Suite 500, Clearwater, FL 34622. The telephone number is (800) 648-6484.

You will receive a statement of your life insurance death benefit and cash values from the program administrator on an annual basis.

Enrollment in the Olin Life Accumulation Program requires you to submit evidence of good health. If you are rejected for health reasons, Olin will provide term life insurance coverage equal to two times your Annual Salary rounded to the next \$10,000 while you are in Active Service of the Company. Upon your retirement from Olin, you will be provided term life insurance in amounts equal to the death benefit in the previous schedule for retirees who qualify for the Olin Life Accumulation Program.

Survivor Income Benefit

In the event you die while in the Active Service of the Company, your surviving spouse will receive a monthly benefit equal to 30% of your Monthly Salary, up to a maximum benefit of \$6,000 per month, until he or she reaches age 65. If you have eligible children, your spouse will receive an additional monthly payment equal to 10% of your Monthly Salary up to a maximum payment of \$2,000 per month. This additional payment will continue until your children are all at least age 25 or married, whichever is earlier.

If your spouse should die following your death, your eligible children, or their guardian, will continue to receive the monthly benefit equal to 10% of your Monthly Salary until your children are all at least age 25, or married, whichever is earlier.

The monthly benefit paid on behalf of the children is the same 10% of Monthly Salary regardless of the number of eligible children. For example, if your Monthly Salary was \$10,000 at the time of your death and you had 2 eligible children, the total monthly benefit paid on behalf of the children would be \$1,000 (10% of \$10,000).

You may choose to waive the Survivor Income Benefit coverage, and instead, have the premium that would otherwise have been paid for this coverage paid to the Olin Life Accumulation Program. In such event, this premium will serve to increase the death benefits and cash values provided by that policy.

Emergency Death Benefit

In the event you die while in the Active Service of the Company, your spouse, or your life insurance Beneficiary, if you do not have a spouse, will receive a death benefit equal to one month's salary to help defray funeral expenses and other costs associated with your death.

This benefit is administered locally by your business unit. The payment is made through Olin's payroll system.

Note: This benefit is not available for an employee who is receiving Long Term Disability payments at the time of death.

Corporate Owned Life Insurance

\$5,000 COLI Death Benefit

The beneficiary of certain employees of Olin, or an affiliate, who die while in Active Service of the Company, may be entitled to a special \$5,000 COLI death benefit. This benefit is payable to your Beneficiary if you die while in the Active Service of the Company and you were a salaried or non-bargaining hourly employee of the Company on December 31, 1992, or receiving Short Term Disability payments on that date.

The Beneficiaries of employees of Aerojet, who became employees of Olin on April 30, 1994, may also be entitled to this special \$5,000 COLI death benefit, provided such employee dies while in the Active Service of the Company.

Beneficiaries for this Plan are deemed to be the Beneficiary of record for the Olin Life Accumulation Plan, or the term life insurance coverage if you failed to qualify for OLAP for reasons of health.

***Olin Life Accumulation Program/Survivor
Income Benefit***

Participants are subject to Federal, and State income tax as well as FICA tax on the amount of premiums paid on their behalf each year to the Olin Life Accumulation Insurance Program. These premiums include the premium to purchase the basic life insurance coverage, any premium paid to “pre-fund” the retiree life insurance coverage and any extra premium that would be paid into the policy if you chose to waive the Survivor Income Benefit coverage. If you chose to keep the Survivor Income Benefit coverage, the actuarial value of the Survivor Income Benefit coverage will be subject to Federal, State and FICA tax. Your taxable income will be calculated for you and reported on your W-2 form each year.

Death benefits paid from the OLAP are treated as a life insurance benefit and, as such are not subject to Federal, State or FICA tax. However, the benefit may be included in the participant’s estate for estate tax purposes.

A portion of cash values withdrawn from the OLAP may be taxed as income for Federal and state income tax purposes.

A portion of the Survivor Income Benefit may be subject to Federal and State income tax.

***Emergency Death Benefit/
Corporate Owned Life Insurance***

The death benefits paid as an Emergency Death Benefit and the \$5,000 COLI death benefit are included as taxable income for Federal and State income tax purposes. However, for Federal income tax purposes there is a one-time exclusion from income of up to \$5,000 of cumulative death benefit proceeds.

Note: This is a very brief description of tax consequences. You should consult with your tax advisor concerning the specific taxes associated with these benefits.

Beneficiary

When you become eligible for the Olin Key Executive Death Benefits, you will be asked to name a Beneficiary, someone who will receive payments from the Plans if you die.

You may choose anyone you wish as your Beneficiary(ies). You may want to name a contingent Beneficiary(ies) in case your primary Beneficiary dies before you do.

If the Beneficiary is not living when you die, your death benefits will be paid to your estate.

It is important to review the names of your Beneficiaries periodically so that the benefits will be paid to those you want protected. For example, if your marital status changes or your dependents change, you may want to make a new Beneficiary designation. You should also advise your local Benefits Administrator of address changes for your Beneficiary(ies). This will help prevent delays in benefit payments.

Changes In Amounts of Insurance

The minimum death benefit that is payable from OLAP and Survivor Income Benefit will automatically keep pace with changes in your Annual Salary. Your coverage will change on the day your salary changes. If you're not at work on the day the amount of your coverage is scheduled to change, the change will be delayed until you return to work Full-time.

**How Long the Key
Executive Death Benefits
Continue**

In this Situation:

You Terminate Employment, Including Retirement

This Happens To Your Coverage:

Coverage for OLAP, Survivor Income Benefit, Emergency Death Benefit and COLI continues through the end of the month in which you terminate Full-time employment. You may continue the OLAP by paying the full premium.

If you retire on early or normal retirement, a portion of your OLAP will continue.

Your pension plan also provides for the payment of a \$5,000 death benefit if you die following early or normal retirement from Olin. See the Pension Plan section in this handbook for details.

You are receiving Severance or Job Transition benefits

Coverage for OLAP, Survivor Income Benefit, Emergency Death Benefit and COLI continues as though you were actively at work while you are receiving Job Transition Benefits or Severance payments.

You are receiving Short Term Disability benefits

Coverage for OLAP, Survivor Income Benefit, Emergency Death Benefit and COLI will be equal to the amount of coverage you had immediately before your disability began.

You are receiving Long Term Disability (LTD)] benefits

Coverage for OLAP, Survivor Income Benefit and COLI will be equal to the amount of coverage you had immediately before your disability began. Coverage will continue for the period you are entitled to LTD payments and cease upon your retirement.

Your Emergency Death Benefit coverage ends when you are on Long Term Disability.

You are on an Unpaid Leave of Absence

Coverage for OLAP, Survivor Income Benefit, Emergency Death Benefit and COLI ceases at the end of the month in which your leave begins. You may continue coverage for OLAP and Survivor Income Benefit for the length of your leave provided you pay the entire premiums.

The Plan is Terminated or Changed so that it No Longer Covers Your Employee Group

Your OLAP is an individual policy and is portable. All other coverages end.

Plan Limitations

Each state has different rules regarding payment to a particular Beneficiary. For example, in some states, the Beneficiary who is convicted of having caused the death of the participant may not be entitled to death benefits. In this case, the benefit would be paid to the estate.

In the event of your death as a result of suicide during the first two years of employment with Olin, no OLAP or Survivor Income Benefit will be paid. Your Emergency Death Benefit and the \$5,000 COLI Death Benefit will be paid to your Beneficiary.

Claiming Benefits

If you die, the Company will contact your beneficiary(ies) as soon as possible to explain what benefits are payable and the forms of payment available.

It is very important to be sure that your beneficiary designation reflects the person(s) you want to receive the benefit, and that their name(s) and address(es) are correct.

If the person(s) can't be found, the benefit is automatically paid to your estate. This will delay or prevent the funds from reaching those you want protected.

Plan Administrator

The Plan Administrator is the Welfare and Fringe Benefit Plan Committee (the Committee) of Olin Corporation, 120 Long Ridge Road, Stamford, CT 06904. Effective December 1, 1995, the Plan Administrator will be located at Olin Corporation, 501 Merritt 7, Norwalk, CT 06856.

The Plan Administrator has absolute authority to interpret the terms of the Plan and to determine any and all matters arising under the Plan or in connection with its administration, including, without limitation, questions concerning eligibility for, and entitlement to, Plan benefits. Any interpretation or determination made pursuant to such discretionary authority shall be binding on all persons claiming to have an interest under the Plan and given full force and effect.

The Committee may adopt rules for the administration of the Plan and the conduct of its business. A majority of the members of such Committee shall constitute a quorum for transaction of business. All resolutions or other action taken by the Committee shall be by the vote of at least a majority of the members present at a meeting, or without a meeting by an instrument signed by a majority of the members.

The Plan Administrator and any other fiduciary designated in this Plan may use, employ, discharge, or consult with one or more individuals, corporations, or other entities with respect to advice regarding responsibilities, obligations, or duties in connection with this Plan. Olin Corporation may also designate other individuals, corporations, or other entities, who are not named fiduciaries in this Plan to carry out fiduciary responsibilities, obligations and duties with respect to this Plan. Such delegation may be revoked or modified at any time.

Agent for Service of Process

The Secretary of Olin Corporation has been designated as agent for service of legal process upon this Plan. Service of process may also be made on the Plan Administrator.

Plan Amendment or Termination

Olin fully expects that the Key Executive Death Benefits will continue indefinitely, but reserves the right by resolution of its Board of Directors or any duly authorized Committee or officer to amend, modify or terminate the Plan at any time and without notice. This includes the right to amend, modify, or terminate benefits available to retirees or any other group of employees.

Conversion

Coverage for OLAP is portable.

There are no provisions that allow the Survivor Income Benefit, COLI, or the Emergency Death Benefit coverages to be converted to an individual policy.

<i>Questions</i>	Questions about OLAP should be directed to William Lynch and Associates, Inc., 13577 Feather Sound Drive, Suite 500, Clearwater, FL 34622. Telephone number (800)648-6484. All other questions should be directed to your local Benefits Administrator.
<i>Source of Benefits</i>	Olin's contributions for OLAP are paid in premiums to a universal life insurance policy administered by William Lynch and Associates, Inc., 13577 Feather Sound Drive, Suite 500, Clearwater, FL 34622. Olin's contributions for Survivor Income Benefit are paid in premiums to Metropolitan Life Insurance Company, P.O. Box 102047, Atlanta, GA 30368-0047. Metropolitan Life Insurance Company determines the benefits payable under the provisions of the Plan. Olin pays the full cost of the Emergency Death Benefit and the \$5,000 COLI Death Benefit from its general operating funds.
<i>Plan Documents</i>	The Plan Documents are this Plan description. For OLAP, the individuals split dollar agreement and the applicable insurance policy and the Metropolitan SIB Life Insurance master policy.
<i>Financial Records</i>	Records are kept on a Plan-year basis, from January 1 to December 31 of each calendar year.
<i>Plan Identification</i>	This Plan is filed with the United States Department of Labor under Employer Identification Number 13-1872319. The Plan Numbers are: Emergency Death Benefit: 515; Company-provided Basic Life Insurance: 502; Corporate Owned Life Insurance: 515; Olin Life Accumulation Program: 562.
<i>Plan Sponsor</i>	The plan sponsor is Olin Corporation. An updated, complete list of participating Olin-related or affiliated employers and employee organizations also sponsoring the Plan may be obtained by participants and their beneficiaries upon written request to the Plan Administrator, and is available for examination by participants and beneficiaries. Participants and beneficiaries may receive, upon written request, information as to whether a particular employer or employee organization is a sponsor of the Plan, and if so, the sponsor's address.
<i>ERISA Rights</i>	See the ERISA section of your benefits handbook for details regarding your rights under ERISA.

Definitions

<i>Active Service</i>	The period in which a Full-time employee is receiving regular salary payments, or Short Term Disability payments. Additionally, periods in which the employee is receiving Long Term Disability payments, Job Transition Benefits or Severance benefits may also be included as periods of Active Service.
<i>Annual Salary</i>	Your annual earnings, not including overtime, shift differential, bonus, or other premium pay.
<i>Beneficiary(ies)</i>	The person or persons who will receive death benefits from the Plan’s if you die.
<i>Benefits Administrator</i>	The individual at your work location who is responsible for assisting employees with benefits.
<i>Full-Time Employee</i>	An employee who scheduled to work at least 20 hours a week on a continuous basis.
<i>Monthly Salary</i>	Your monthly earnings, not including overtime, shift differential, bonus, or other premium pay.

EXECUTIVE AGREEMENT

Agreement between Olin Corporation, a Virginia corporation (“Olin”), and _____, (the “Executive”), dated as of November 1, 2002, (the “Effective Date”).

Olin and the Executive agree as follows:

1. Definitions. As used in this Agreement:

(a) “Cause” means the willful and continued failure of the Executive to substantially perform his or her duties (other than by reason of Executive’s incapacity due to physical or mental illness or injury); the willful engaging by the Executive in gross misconduct significantly and demonstrably financially injurious to Olin; or willful misconduct by the Executive in the course of his or her employment which is a felony or fraud. No act or failure to act on the part of the Executive will be considered “willful” unless done or omitted not in good faith and without reasonable belief that the action or omission was in the interests of Olin or not opposed to the interests of Olin and unless the act or failure to act has not been cured by the Executive within a reasonable time after written notice to the Executive specifying the nature of such violations. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause without (i) reasonable notice to the Executive setting forth the reasons for Olin’s intention to terminate for Cause, (ii) an opportunity for the Executive, together with his or her counsel, to be heard before the Board of Directors of Olin (the “Board”) and (iii) delivery to the Executive of a notice of Termination from the Board finding that, in the good faith opinion of 75% of the entire membership of the Board, the Executive was guilty of conduct described above and specifying the particulars thereof in detail.

(b) “Change in Control” means the occurrence of any one of the following events:

(i) individuals who, on the Effective Date, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(ii) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of Olin’s then outstanding securities eligible to vote for the election of the Board (the “Olin Voting Securities”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii)), or (E) the acquisition of Olin Voting Securities by Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive);

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a “Reorganization”) or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors

(any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a “Non-Qualifying Transaction”);

(iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

Notwithstanding the foregoing, the acquisition by any person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned by such person, a Change in Control of Olin shall then be deemed to occur.

(c) “Disability” means that the Executive has suffered an incapacity due to physical or mental illness which meets the criteria for disability established at the time under Olin’s short term disability plan.

(d) “Executive Severance” means:

(i) twelve months of the Executive’s then current monthly salary (without taking into account any reductions which may have occurred at or after the date of a Change in Control); plus

(ii) an amount equal to the greater of (A) the Executive’s average annual award actually paid in cash (or, in the event that the award in respect of the calendar year immediately prior to the year in which the date of Termination occurs has not yet been paid, the amount of such award that would have been payable in cash in the year in which the date of Termination occurs had Executive not incurred a Termination) under Olin’s short-term annual incentive compensation plans or programs (“ICP”) (including zero if nothing was paid or deferred but including any portion thereof the Executive has elected to defer and, for the avoidance of doubt, excluding any portion of an annual award that is credited to an Executive’s bonus “bank” or that the Executive otherwise does not have a right to receive currently in cash) in respect of the three calendar years immediately preceding the calendar year in which the date of Termination occurs (or if the Executive has not participated in ICP for such three completed calendar years, the average of any such awards in respect of the shorter period of years in which the Executive was a participant) and (B) the Executive’s then current ICP standard annual award in respect of the year in which the Date of Termination occurs.

Notwithstanding the foregoing, in the event that an amount is payable to the Executive under Section 4(b), such additional amount shall also be treated as “executive severance” for purposes of any Olin benefit plan that takes payments of “executive severance” into account in determining benefits payable under such plan.

(e) "Potential Change in Control" means:

(i) Olin has entered into an agreement the consummation of which would result in a Change in Control;

(ii) any person (including Olin) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control;

(iii) any person (other than an employee benefit plan of Olin or a subsidiary of Olin (or the plan's related trust)) becomes the beneficial owner directly or indirectly of securities of Olin representing 9.5% or more of the combined voting power of Olin's then outstanding securities ordinarily entitled to vote in elections of directors; or

(iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of Olin has occurred;

provided, if an event specified in clause (iii) above has occurred by or on the Effective Date, such event shall not be deemed a Potential Change in Control unless such person acquires another 1% of such securities subsequent to the Effective Date.

(f) "Termination" means:

(i) The Executive is discharged by Olin other than for Cause;

(ii) The Executive terminates his or her employment in the event that:

(1) (A) Olin requires the Executive to relocate his or her principal place of employment by more than fifty (50) miles from the location in effect on the Effective Date (excluding, prior to a Change in Control, any relocation due to a change in the location of Olin's corporate headquarters); provided, however, that an Executive whose principal place of employment (immediately prior to the required relocation) was not located at Olin's corporate headquarters (wherever located) will not have a basis for Termination if he or she is required to relocate his or her principal place of employment to the location of Olin's then-current corporate headquarters or (B) following a Change in Control, Olin requires the Executive to travel on business to a substantially greater extent than, and inconsistent with, the Executive's travel requirements prior to a Change in Control (taking into account the number and/or duration (both with respect to airtime and overall time away from home) of such travel trips following a Change in Control as compared to a comparable period prior to the Change in Control);

(2) Olin reduces the Executive's base salary or fails to increase the Executive's base salary on a basis consistent (as to frequency and amount) with Olin's exempt salary system as then in effect or, in the event of a Change in Control, as in effect immediately prior to the Change in Control;

(3) Olin fails to continue the Executive's participation in Olin's benefit plans (including, without limitation, short-term and long-term cash and stock incentive compensation) on substantially the same basis, both in terms of (A) the

amount of the benefits provided (other than due to Olin's or a relevant operation's or business unit's financial or stock price performance provided such performance is a relevant criterion under such plan) and (B) the level of the Executive's participation relative to other participants as exists on the Effective Date; provided that, with respect to annual and long term incentive compensation plans, the basis with which the amount of benefits and level of participation of the Executive shall be compared shall be the average benefit awarded to the Executive under the relevant plan during the three completed fiscal years immediately preceding the year in which the date of Termination occurs;

(4) The Executive suffers a Disability which prevents the Executive from performing the Executive's duties with Olin for a period of at least 180 consecutive days;

(5) Following a Change in Control, Olin fails to substantially maintain its benefit plans as in effect at the time of the Change in Control, unless arrangements (embodied in an on-going substitute or alternative plan) are then in effect to provide benefits that are substantially similar to those in effect at the time of the Change in Control; or

(6) (A) the Executive is assigned any duties inconsistent in any adverse respect with the Executive's position (including status, offices, titles and reporting lines), authority, duties or responsibilities, or (B) Olin takes any action that results in a diminution in such position (including status, offices, titles and reporting lines), authority, duties or responsibilities or in a substantial reduction in any of the resources available to carry out any of the Executive's authorities, duties or responsibilities; unless the event is described in clause (2), (3), (5) or (6) above and results from an isolated, insubstantial and inadvertent action or omission that is not taken (or omitted to be taken) by Olin in bad faith, and is remedied by Olin promptly after receipt of notice thereof given by the Executive. For purposes solely of clarification, it is understood that (i) if, in connection with the spinoff of an Olin business or Olin's assets as a separate public company to Olin's shareholders, the Executive accepts employment with, and becomes employed at, the spunoff company or its affiliate, the termination of the Executive's employment with Olin shall not be considered a "Termination" for purposes of this Agreement provided a Change in Control shall not have occurred prior to the termination of the Executive's employment with Olin and (ii) except as provided in paragraph 4(f), in connection with the sale of an Olin business or assets to a third party or the transfer or sale of an Olin business or Olin's assets to a joint venture to be owned directly or indirectly by Olin with one or more third parties, if the Executive accepts employment with, and becomes employed by, such buyer or its affiliate or such joint venture or its affiliate in connection with such transaction, such cessation of employment with Olin shall not be considered a "Termination" for purposes of this Agreement provided a Change in Control shall not have occurred prior to the termination of the Executive's employment with Olin.

2. Previous Change in Control Agreement. This Agreement supersedes and replaces the Executive Agreement dated as of «Date_of_Letter», as extended through December 31, 2002, between Olin and the Executive.

3. Term/Executive's Duties.

(a) This Agreement expires at the close of business on the third anniversary of the Effective Date, provided that on the first anniversary of the Effective Date and on each anniversary thereafter (any such anniversary being referred to herein as a "Renewal Date") the term of this Agreement shall be extended for one additional year unless Olin has provided the Executive with written notice at least 90 days in advance of the immediately succeeding Renewal Date that the term of this Agreement shall not be so extended; provided, however, that if a Change in Control or Potential Change in Control has occurred prior to the date on which this Agreement expires, this Agreement shall not expire prior to the later of (i) three years following the date of the Potential Change in Control or (ii) three years following the date of the Change in Control; provided, further, that the expiration of this Agreement will not affect any of the Executive's rights resulting from a Termination prior to such expiration. In the event of the Executive's death while employed by Olin, this Agreement shall terminate and be of no further force or effect on the date of his or her death; provided that the Executive's death will not affect any of the Executive's rights resulting from a Termination prior to death.

(b) During the period of the Executive's employment by Olin, the Executive shall devote his or her full time efforts during normal business hours to Olin's business and affairs, except during vacation periods in accordance with Olin's vacation policy and periods of illness or incapacity. Nothing in this Agreement will preclude the Executive from devoting reasonable periods required for service as a director or a member of any organization involving no conflict of interest with Olin's interest, provided that no additional position as director or member shall be accepted by the Executive during the period of his or her employment with Olin without its prior consent.

(c) The Executive agrees that in the event of any Potential Change in Control of Olin occurring from time to time after the Effective Date, the Executive will remain in the employ of Olin until the earlier of (i) the end of the six month period following the occurrence of such Potential Change in Control and (ii) a Change in Control, provided that Olin provides the Executive with an office, title, duties and responsibilities no less favorable than those applicable immediately prior to such Potential Change in Control.

4. Executive Severance Payment.

(a) In the event of a Termination occurring before the expiration of this Agreement, Olin will pay the Executive a lump sum in an amount equal to the

Executive Severance. Such payment will be made within 10 days following the date of Termination.

(b) In the event of a Termination (other than a Termination pursuant to paragraph 1(f)(ii)(4)) after a Change in Control has occurred, in addition to the Executive Severance paid under paragraph 4(a) above, Olin will pay a Change in Control severance premium to the Executive in an amount equal to two times the Executive Severance. The Change in Control severance premium, if it becomes due, will be paid at the same time as payment is made under paragraph 4(a).

(c) The amount due under paragraph 4(a) and 4(b), if any, will be reduced to the extent that, if such amount in the aggregate were paid in equal monthly installments over a 12-month period (or in the event both paragraph 4(a) and 4(b) are applicable, a 36-month period), no installment would be paid after the Executive's sixty-fifth birthday.

(d) The Executive will not be required to mitigate the amount of any payment provided for in paragraph 4(a) or 4(b) by seeking other employment or otherwise, nor shall any compensation received by the Executive from a third party reduce such payment except as explicitly provided in this Agreement. Except as may otherwise be expressly provided herein, nothing in this Agreement will be deemed to reduce or limit the rights which the Executive may have under any employee benefit plan, policy or arrangement of Olin and its subsidiaries and affiliates. Except as expressly provided in this Agreement, payments made under paragraphs 4 or 5 shall not be affected by any set-off, counterclaim, recoupment, defense or other claim which Olin and its subsidiaries and affiliates may have against the Executive.

(e) If the Executive receives the Executive Severance, the Executive will not be entitled to receive any other severance otherwise payable to the Executive under any other severance plan of Olin and its subsidiaries and affiliates. If on the date of Termination the Executive is eligible and is receiving payments under any then existing disability plan of Olin or its subsidiaries and affiliates, then the Executive agrees that all such payments may, and will be, suspended and offset for 12 months (or in the event paragraph 4(b) is also applicable, 36 months) (subject to applicable law) following the date of Termination. If after such period the Executive remains eligible to receive disability payments, then such payments shall resume in the amounts and in accordance with the provisions of the applicable disability plan of Olin or its subsidiaries and affiliates.

(f) In the event the Executive, prior to a Change in Control, in connection with the sale of an Olin business or assets to a third party or the transfer of an Olin business or Olin assets to a joint venture which would be owned directly or indirectly by Olin with one or more third parties, ceases to be employed by Olin and with Olin's consent becomes employed by the buyer or its affiliate or the joint venture or its affiliate (a "New Employer"), the Executive shall be entitled to the benefits provided

under paragraph 4(a) (determined as if the Executive incurred a Termination upon such cessation of employment with Olin) (subject to paragraphs 4(c), 4(d) and 4(e)) and the first sentence of paragraph 5(a) (subject to paragraph 5(c)), and paragraph 5(d), if the Executive has a Termination with the New Employer (with the New Employer being substituted for Olin in such paragraph 1(f) and without giving any effect to the Change in Control references contained therein following such new employment) within 12 months of becoming employed by such New Employer. Any cash compensation amounts paid under this paragraph 4(f) shall be reduced by any severance, job transition or employment termination payments such Executive receives in cash from the New Employer in connection with the Termination. In connection with this paragraph 4(f), in no event shall the Change in Control provisions of this Agreement be applicable once the Executive ceases to be employed directly by Olin.

5. Other Benefits.

(a) If the Executive becomes entitled to payment under paragraph 4(a), then (i) the Executive will receive 12 months service credit under all Olin pension plans for which the Executive was eligible at the time of the Termination (i.e., under Olin's qualified pension plans to the extent permitted under then applicable law, otherwise such credit will be reflected in a supplementary pension payment from Olin to be due at the times and in the manner payments are due the Executive under such qualified pension plans), and (ii) for 12 months from the date of the Termination the Executive (and his or her covered dependents) will continue to enjoy coverage on the same basis as a similarly situated active employee under all Olin medical, dental, and life insurance plans to the extent the Executive was enjoying such coverage immediately prior to the Termination. The Executive's entitlement to insurance continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 would commence at the end of the period during which insurance coverage is provided under this Agreement without offset for coverage provided hereunder. The Executive shall accrue no vacation during the 12 months following the date of Termination but shall be entitled to payment for accrued and unused vacation for the calendar year in which the Termination occurs. If the Executive receives the Executive Severance (including the amount referred to in paragraph 1(d)(ii)), the Executive shall not be entitled to an ICP award for the calendar year of Termination if Termination occurs during the first calendar quarter. Even if the Executive receives the Executive Severance (including the amount referred to in paragraph 1(d)(ii)), if Termination occurs during or after the second calendar quarter, the Executive shall be entitled to a prorated ICP award for the calendar year of Termination which shall be determined by multiplying his or her then current ICP standard annual award by a fraction, the numerator of which is the number of weeks in the calendar year prior to the Termination and the denominator of which is 52. The Executive shall accrue no ICP award following the date of Termination. The accrued vacation pay and ICP award, if any, shall be paid in a lump sum when the Executive Severance is paid.

(b) If the Executive becomes entitled to payment under paragraph 4(b), the pension plan service credit and insurance coverage provided for in paragraph

5(a) will be for an additional 24-month period beyond the period provided in paragraph 5(a).

(c) Notwithstanding the foregoing paragraphs 5(a) and 5(b), no such service credit or insurance coverage will be afforded by this Agreement with respect to any period after the Executive's sixty-fifth birthday.

(d) In the event of a Termination, the Executive will be entitled at Olin's expense to outplacement counseling and associated services in accordance with Olin's customary practice at the time (or, if a Change in Control shall have occurred, in accordance with such practice immediately prior thereto) with respect to its senior executives who have been terminated other than for Cause. It is understood that the counseling and services contemplated by this paragraph 5(d) are intended to facilitate the obtaining by the Executive of other employment following a Termination, and payments or benefits by Olin in lieu thereof will not be available to the Executive.

(e) Notwithstanding the provisions of Section 4.6 of the Olin Senior Executive Pension Plan (the "Senior Plan"), if the Executive is in active employment with Olin on the date on which a Change in Control occurs (or if the Executive's employment is terminated on the date on which a Change in Control occurs) but has not attained age 55 at such date, the Executive shall (if then a Participant in the Senior Plan) nevertheless automatically be paid the lump-sum amount called for by such Section 4.6, except that such lump-sum amount will be calculated first, by calculating the sum equal to the annual benefit which would otherwise be payable to the Executive at age 65 under all Olin pension plans assuming the Executive had terminated his or her employment with Olin on the date of the Change in Control; second, by multiplying such sum by 72%, which is the current percentage applicable in the calculation of benefits paid to employees retiring from active service with Olin at age 55 under the early retirement provisions of the Olin Employees Pension Plan; third, by determining the then lump-sum actuarial value of the product resulting from the second step; and fourth, by deducting from such lump-sum actuarial value the then lump-sum actuarial value of the Executive's accrued annual benefits under all other Olin pension plans. The actuarial value shall be determined as the amount needed to purchase a fixed annuity through Metropolitan Life Insurance Company ("Metropolitan") or its successor immediately prior to the Change in Control. In the event such annuity is not available through Metropolitan, then Prudential Insurance Company or an insurance company with comparable rating by A.M. Best & Company shall be substituted for Metropolitan. A lump-sum payment under this paragraph 5(e) will be used to reduce any payments under the Senior Plan which may become due to the Executive thereafter. The purpose of this paragraph 5(e) is to ensure that an Executive who is less than age 55 at the time of the Change in Control receives a lump-sum payment which when combined with the value of the Executive's pension benefits from all other Olin pension plans preserves the 72% age 55, subsidized early retirement factor, rather than the actuarial reduction. Such lump-sum payment shall be discounted by the same interest rate used by the insurance company to determine the actuarial value to provide for the deferral of the benefit until the Executive reaches age 55.

(f) If the Executive becomes entitled to the payment under paragraph 4(b), then at the end of the period for insurance coverage provided in accordance with paragraph 5(b), if Executive at such time has satisfied the eligibility requirements to participate in Olin's post-retirement medical and dental plan, the Executive shall be entitled to continue in Olin's medical and dental coverage (including dependent coverage) on terms and conditions no less favorable to the Executive as in effect prior to the Change in Control for the Executive until the Executive reaches age 65; provided, that if the Executive obtains other employment which offers medical or dental coverage to the Executive and his or her dependents, the Executive shall enroll in such medical or dental coverage, as the case may be, and the corresponding coverage provided to the Executive hereunder shall be secondary coverage to the coverage provided by the Executive's new employer so long as such employer provides the Executive with such coverage.

(g) If there is a Change in Control, Olin shall not reduce or diminish the insurance coverage or benefits which are provided to the Executive under paragraph 5(a), 5(b) or 5(f) during the period the Executive is entitled to such coverage; provided the Executive makes the premium payments required by active employees generally for such coverage, if any, under the terms and conditions of coverage applicable to the Executive. Following a Change in Control, incentive compensation plans in which the Executive participates shall contain reasonable financial performance measures and shall be consistent with practice prior to the Change in Control.

6. Participation in Change in Control/Section 4999 of Internal Revenue Code .

(a) In the event that the Executive participates or agrees to participate by loan or equity investment (other than through ownership of less than 1% of publicly traded securities of another company) in a transaction ("acquisition") which would result in an event described in paragraph 1(b)(i) or (ii), the Executive must promptly disclose such participation or agreement to Olin. If the Executive so participates or agrees to participate, no payments due under this Agreement or by virtue of any Change in Control provisions contained in any compensation or benefit plan of Olin will be paid to the Executive until the acquiring group in which the Executive participates or agrees to participate has completed the acquisition. In the event the Executive so participates or agrees to participate and fails to disclose his or her participation or agreement, the Executive will not be entitled to any payments under this Agreement or by virtue of Change in Control provisions in any Olin compensation or benefit plan, notwithstanding any of the terms hereof or thereof.

(b) (i) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes),

including, without limitation, any income and employment taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Olin's obligation to make Gross-Up Payments under this paragraph 6 shall not be conditioned upon the Executive's termination of employment.

(ii) Subject to the provisions of paragraph 6(b)(iii), all determinations required to be made under this paragraph 6(b), including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG LLP or such other nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to Olin and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by Olin. The Accounting Firm shall not determine that no Excise Tax is payable by the Executive unless it delivers to the Executive a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. All fees and expenses of the Accounting Firm shall be borne solely by Olin. Any Gross-Up Payment, as determined pursuant to this paragraph 6(b), shall be paid by Olin to the Executive within 5 days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon Olin and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by Olin should have been made (the "Underpayment"), consistent with the calculations required to be made hereunder. In the event Olin exhausts its remedies pursuant to paragraph 6(b)(iii) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine that amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Olin to or for the benefit of the Executive.

(iii) The Executive shall notify Olin in writing of any claims by the Internal Revenue Service that, if successful, would require the payment by Olin of the Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 30 days after the Executive actually receives notice in writing of such claim and shall apprise Olin of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that the failure of the Executive to notify Olin of such claim (or to provide any required information with respect thereto) shall not affect any rights granted to the Executive under this paragraph 6(b) except to the extent that Olin is materially prejudiced in the defense of such claim as a direct result of such failure. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to Olin (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Olin notifies the Executive in writing prior to the expiration of such period that Olin desires to contest such claim, the Executive shall:

(A) give Olin any information reasonably requested by Olin relating to such claim;

(B) take such action in connection with contesting such claim as Olin shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by Olin and reasonably acceptable to the Executive;

(C) cooperate with Olin in good faith in order to effectively contest such claim; and

(D) permit Olin to participate in any proceedings relating to such claim;

provided, however, that Olin shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise tax or income or employment tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph 6(b)(iii), Olin shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Olin shall determine; *provided, however*, that, if Olin directs the Executive to pay such claim and sue for a refund, Olin shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance; and *provided, further*, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Olin's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by the Executive of an amount advanced by Olin pursuant to paragraph 6(b)(iii), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to Olin's complying with the requirements of paragraph 6(b)(iii)) promptly pay to Olin the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If,

after the receipt by the Executive of an amount advanced by Olin pursuant to paragraph 6(b)(iii), a determination is made that the Executive shall not be entitled to any refund with respect to such claim, and Olin does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(v) Notwithstanding any other provision of this paragraph 6(b), Olin may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of the Gross-Up Payment, and the Executive hereby consents to such withholding.

(vi) Definitions. The following terms shall have the following meanings for purposes of this paragraph 6(b).

(A) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(B) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G (b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

7. Successors; Binding Agreement .

(a) Olin will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Olin, by agreement, in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that Olin would be required to perform if no such succession had taken place. Failure of Olin to obtain such assumption and agreement prior to the effectiveness of any such succession will be a breach of this Agreement and entitle the Executive to compensation from Olin in the same amount and on the same terms as the Executive would be entitled to hereunder had a Termination occurred on the succession date. As used in this Agreement, "Olin" means Olin as defined in the preamble to this Agreement and any successor to its business or assets which executes and delivers the agreement provided for in this paragraph 7 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law or otherwise.

(b) This Agreement shall be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. Notices . For the purpose of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive :

If to Olin :

Olin Corporation
501 Merritt 7
P.O. Box 4500
Norwalk, CT 06856-4500
Attention: Corporate Secretary

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. Governing Law . The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia (without giving effect to its principles of conflicts of law).

10. Miscellaneous . No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by the Executive and Olin. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

11. Counterpart s . This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same Agreement.

12. Withholding of Taxes . Olin may withhold from any benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

13. Non-assignability . This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in paragraph 7 above. Without

limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his or her will or by the laws of descent or distribution, and, in the event of any attempted assignment or transfer by the Executive contrary to this paragraph, Olin shall have no liability to pay any amount so attempted to be assigned or transferred.

14. No Employment Right. This Agreement shall not be deemed to confer on the Executive a right to continued employment with Olin.

15. Disputes/Arbitration.

(a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration at Olin's corporate headquarters in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled to seek specific performance of the Executive's right to be paid during the pendency of any dispute or controversy arising under or in connection with this Agreement.

(b) Olin shall pay all reasonable legal fees and expenses, as they become due, which the Executive may incur to enforce this Agreement through arbitration or otherwise unless the arbitrator determines that Executive had no reasonable basis for his or her claim. Should Olin dispute the entitlement of the Executive to such fees and expenses, the burden of proof shall be on Olin to establish that the Executive had no reasonable basis for his or her claim.

(c) If any payment which is due to Executive hereunder has not been paid within ten (10) days of the date on which such payment was due, the Executive shall be entitled to receive interest thereon from the due date until paid at an annual rate of interest equal to the Prime Rate reported in the Wall Street Journal, Northeast Edition, on the last business day of the month preceding the due date, compounded annually.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth.

Very Truly Yours,

OLIN CORPORATION

Joseph D. Rupp
President and Chief Executive Officer

Print Name

OLIN 1991 LONG TERM INCENTIVE PLAN
(As Amended through January 30, 2003)

Section 1. Purpose

The purposes of the Olin 1991 Long Term Incentive Plan (the “Plan”) are to encourage selected salaried employees of Olin Corporation (“Olin”) and its Affiliates (as defined below) to acquire a proprietary interest in Olin’s growth and performance, to generate an increased incentive to contribute to Olin’s future success and to enhance the ability of Olin and its Affiliates to attract and retain qualified individuals.

Section 2. Definitions

As used in the Plan:

- (a) “Affiliate” means (i) any entity that, directly or through one or more intermediaries, is controlled by Olin and (ii) any entity in which Olin has a significant equity interest as determined by the Committee.
- (b) “Award” means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.
- (c) “Award Agreement” means any written agreement or other instrument or document evidencing an Award granted under the Plan. The terms of any plan or guideline adopted by the Board or the Committee and applicable to an Award shall be deemed incorporated in and a part of the related Award Agreement.
- (d) “Board” means the Board of Directors of Olin.
- (e) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
- (f) “Committee” means a committee of the Board designated by the Board to administer the Plan and composed of not less than three directors, each of whom is qualified to administer the Plan as contemplated by Rule 16b-3.
- (g) “Dividend Equivalent” means any right granted under Section 6(f)(iv) of the Plan.
- (h) “Fair Market Value” means, with respect to any property (including, without limitation, Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.
- (i) “Incentive Stock Option” means an option to purchase Shares granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or a successor provision thereto.
- (j) “Non-Qualified Stock Option” means an option to purchase Shares granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
- (k) “Option” means an Incentive Stock Option or a Non-Qualified Stock Option.

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- (l) "Other Stock-Based Award" means any right granted under Section 6(e) of the Plan.
 - (m) "Participant" means a Salaried Employee granted an Award under the Plan.
 - (n) "Performance Award" means any right granted under Section 6(d) of the Plan.
 - (o) "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
 - (p) The "1988 Plan" means the 1988 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries.
 - (q) "Released Securities" means securities that were Restricted Securities with respect to which all applicable restrictions imposed under the terms of the relevant Award have expired, lapsed or been waived or satisfied.
 - (r) "Restricted Securities" means Awards of Restricted Stock or other Awards under which outstanding Shares are held subject to certain restrictions.
 - (s) "Restricted Stock" means any Share granted under Section 6(c) of the Plan.
 - (t) "Restricted Stock Unit" means any right granted under Section 6(c) of the Plan that is denominated in Shares.
 - (u) "Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule.
 - (v) "Salaried Employee" means any salaried employee of Olin or of an Affiliate.
 - (w) "Shares" means the Common Stock of Olin and such other securities or property as may become the subject of Awards pursuant to an adjustment made under Section 4(b) of the Plan.
 - (x) "Stock Appreciation Right" means any right granted under Section 6(b) of the Plan.

Section 3. Administration

The Plan shall be administered by the Committee which shall have full power and authority to: (i) designate Participants; (ii) determine the Awards to be granted to Participants; (iii) determine the number of Shares (or securities convertible into Shares) to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, substituted, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, substituted, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the Participant or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish,

amend, suspend or waive such rules and guidelines and appoint such agents as it shall deem appropriate for the administration of the Plan; and (ix) make any other determination and take any other action that it deems necessary or desirable for such administration. All designations, determinations, interpretations and other decisions with respect to the Plan or any Award shall be within the sole discretion of the Committee and shall be final, conclusive and binding upon all Persons, including Olin, any Affiliate, any Participants, any holder or beneficiary of any Award, any shareholder and any employee of Olin or of any Affiliate. The Committee's powers include the adoption of modifications, amendments, procedures, subplans and the like as are necessary to comply with provisions of the laws of other countries in which Olin or an Affiliate may operate in order to assure the viability of Awards granted under the Plan and to enable Participants employed in such other countries to receive benefits under the Plan and such laws.

Section 4. Shares Available for Awards

(a) Shares Available. Subject to adjustment as provided in Section 4(b) of the Plan:

- (i) The aggregate number of Shares available for granting Awards under the Plan shall be 500,000, provided that in the event the 1988 Plan shall terminate or be cancelled prior to April 30, 1998 (its stated expiration date), the number of Shares available for the grant of Awards under the Plan shall be increased by the sum (not to exceed 800,000) of (a) the number of shares which were available for the grant of options under the 1988 Plan immediately prior to the date of such termination or cancellation and (b) the aggregate number of shares which were subject to options under the 1988 Plan on such date and were not subsequently issued because such options terminated, expired or were forfeited without the delivery to optionees of Shares or other consideration. If an Award is denominated in or relates to a security of Olin convertible into its Common Stock, the number of shares of Common Stock into which such security shall be convertible (calculated as of the date of grant of the Award, subject to adjustment as provided in Section 4(b) hereof or under the terms of such security) shall be deemed denominated in Shares and counted against the aggregate number of Shares available for the granting of Awards under the Plan. If, after the effective date of the Plan, Shares subject to an Award granted under the Plan (other than Restricted Securities) are forfeited, or the Award otherwise terminates without the delivery of Shares or of other consideration, then the Shares subject to such Award or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of such forfeiture or termination, shall again be available for granting Awards under the Plan." Any Award (other than a Dividend Equivalent) denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan even though the Award is ultimately paid in cash, provided that, notwithstanding the foregoing, an Award shall not be deemed denominated in Shares if the dollar amount of the Award is fixed at the time of grant by reference to the market value of Shares or otherwise.
- (ii) For purposes of this Section 4:

- (A) If an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; and
- (B) Dividend Equivalents paid in Shares and Awards not denominated in Shares but paid in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with, or that are substituted for, other Awards may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by Olin, and any Awards that are granted by, or become obligations of, Olin, through the assumption by Olin or an Affiliate of, or in substitution for, outstanding awards previously granted by an acquired company shall not, except in the case of Awards granted to Salaried Employees who are officers or directors of Olin for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, be counted against the Shares available for granting Awards under the Plan.

- (b) Adjustments. In the event that the Committee determines that any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of Olin, issuance of warrants or other rights to purchase Shares or other securities of Olin, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase or exercise price with respect to any Award, or, if the Committee deems it appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, that with respect to Awards of Incentive Stock Options, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422 of the Code or any successor provision thereto. Notwithstanding the foregoing, a Participant to whom Dividend Equivalents or dividend units have been awarded shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt.
- (c) Notwithstanding anything contained in this Plan to the contrary, grants to any one Participant of Awards which represent or are designated in Shares shall not exceed 60,000 Shares in any calendar year.

Section 5. Eligibility

Any Salaried Employee, including any officer or employee- director of Olin or an Affiliate, who is not a member of the Committee shall be eligible to be designated a Participant.

Section 6. Awards

- (a) Options. The Committee is authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine:
- (i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.
 - (ii) Option Term. The term of each Option shall be fixed by the Committee, provided that in no event shall the term of an Option exceed a period of ten years from the date of its grant.
 - (iii) Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part (but in no event shall an Option be exercisable before the expiration of six months from the date of its grant, subject to Section 9 thereof, or after the expiration of ten years from the date of its grant), and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made; provided that no Shares may be used by a Participant in payment of the exercise price of an Option unless such Shares have been held by the Participant for at least six months.
 - (iv) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. Without limiting the preceding sentence, the aggregate Fair Market Value (determined at the time an option is granted) of Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under the Plan and any other plan of the Participant's employer corporation and its parent and subsidiary corporations providing for Options) shall not exceed such dollar limitation as shall be applicable to Incentive Stock Options under Section 422 of the Code or a successor provision.
- (b) Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants which may but need not relate to a specific Option granted under Section 6(a). Subject to the terms of the Plan and any applicable Award Agreement, each Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, up to the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the exercise price of the right as specified by the

Committee, which shall not be less than the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the exercise price, term, methods of exercise, methods of payment or settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee, except that Stock Appreciation Rights related to Incentive Stock Options shall have the same terms and conditions as such Options, and in no event shall the term of a Stock Appreciation Right exceed a period of ten years from the date of its grant. In the case of any Stock Appreciation Right related to an Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of shares not covered by the Stock Appreciation Right and then only to the extent of the excess. Any Option related to a Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised.

(c) Restricted Stock and Restricted Stock Units.

- (i) Issuance. The Committee is authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.
- (ii) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate, provided that in order for a participant to vest in Awards of Restricted Stock or Restricted Stock Units, the participant must remain in the employ of Olin or an Affiliate for a period of not less than six months commencing on the date of grant of the Award, subject to Section 9 hereof and subject to relief for specified reasons as may be approved by the Committee.
- (iii) Registration. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and when delivered to the Participant shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock.
- (iv) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still subject to restriction shall be forfeited and reacquired by Olin; provided, however, that the Committee may, in its sole discretion, waive in whole or in part any or all

remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such Restricted Stock shall become Released Securities.

- (d) Performance Awards . The Committee is authorized to grant Performance Awards to Participants. Subject to the terms of the Plan and any applicable Award Agreement, a Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee, provided that a performance period shall be at least six months, subject to Section 9 thereof.
- (e) Other Stock-Based Awards . The Committee is authorized to grant to Participants such other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, phantom Shares, securities convertible into Shares and dividend units), as are deemed by the Committee to be consistent with the purposes of the Plan, provided that such grants shall comply with Rule 16b-3 to the extent applicable and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase, exchange or conversion right granted under this Section 6(e) shall be issued for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase, exchange or conversion right is granted.

Other Stock-based Award Agreements shall contain provisions dealing with the disposition of such Award in the event of termination of the Participant's employment prior to exercise, realization or payment of the Award.
- (f) General .
 - (i) No Cash Consideration for Awards . Participants shall not be required to make any cash payment for the granting of an Award except for such minimum consideration as may be required by applicable law.
 - (ii) Awards May Be Granted Separately or Together . Awards may be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award or benefit granted under any other plan or arrangement of Olin or any Affiliate, or as payment for or to assure

payment of an award or benefit granted under any such other such plan or arrangement, provided that the purchase or exercise price under an Award encompassing the right to purchase Shares shall not be reduced by the cancellation of such Award and the substitution of another Award. Awards so granted may be granted either at the same time as or at a different time from the grant of such other Awards or awards or benefits.

- (iii) Forms of Payment Under Awards . Subject to the terms of the Plan and of any applicable Award Agreement, payments to be made by Olin or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee.
- (iv) Dividend Equivalents or Interest . Subject to the terms of the Plan and any applicable Award Agreement, a Participant, including the recipient of a deferred Award, shall, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends or interest or dividend equivalents, with respect to the Shares covered by the Award. The Committee may provide that any such amounts shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Notwithstanding the award of Dividend Equivalents or dividend units, a Participant shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt.
- (v) Limits on Transfer of Awards . No Award (other than Released Securities) or right thereunder shall be assignable or transferable by a Participant, other than (unless limited in the Award Agreement) by will or the laws of descent and distribution (or, in the case of an Award of Restricted Securities, to Olin), except that an Option may be transferred by gift to any member of the holder's immediate family or to a trust for the benefit of one or more of such immediate family members, if permitted in the applicable Award Agreement; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries with respect to any Award to exercise the rights of the Participant, and to receive any property distributable, upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law by the Participant's guardian or legal representative unless it has been transferred to a member of the holder's immediate family or to a trust for the benefit of one or more of such immediate family members, in which case it shall be exercisable only by such transferee. For the purposes of this provision, a holder's "immediate family" shall mean the holder's spouse, children and grandchildren. No Award (other than

Released Securities), and no right under any such Award, may be pledged, attached or otherwise encumbered other than in favor of Olin, and any purported pledge, attachment, or encumbrance thereof other than in favor of Olin shall be void and unenforceable against Olin or any Affiliate.

- (vi) Term of Awards. Except as otherwise expressly provided in the Plan, the term of each Award shall be for such period as may be determined by the Committee.
- (vii) Rule 16b-3 Six-Month Limitations. To the extent required in order to satisfy the requirements for exemption under Rule 16b-3 only, any equity security offered pursuant to the Plan may not be sold for at least six months after acquisition (or such other period as may be required by Rule 16b-3), except in the case of death or disability, and any derivative security issued pursuant to the Plan shall not be exercisable for at least six months (or such other period as may be required by Rule 16b-3), except in case of death or disability. Terms used in the preceding sentence shall, for the purposes of such sentence only, have the meanings, if any, assigned or attributed to them under Rule 16b-3.
- (viii) No Rights to Awards. No Salaried Employee, Participant or other Person shall have any claim to be granted an Award, and there is no obligation for uniformity of treatment of Salaried Employees, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument accepting the Award and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.
- (ix) Delegation. Notwithstanding any provision of the Plan to the contrary, the Committee may delegate to one or more officers or managers of Olin or any Affiliate, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights or conditions with respect to, alter, discontinue, suspend, or terminate Awards held by, Salaried Employees who are not officers or directors of Olin for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.
- (x) Withholding. Olin or any Affiliate may withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise or any payment under such Award or under the Plan, and take such other action as may be necessary in the opinion of Olin or Affiliate to satisfy all obligations for the payment of such taxes.

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- (xi) Other Compensation Arrangements. Nothing contained in the Plan shall prevent Olin or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (xii) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of Olin or any Affiliate. Nothing in the Plan or any Award Agreement shall limit the right of Olin or an Affiliate at any time to dismiss a Participant from employment, free from any liability or any claim under the Plan or the Award Agreement.
- (xiii) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Connecticut and applicable Federal law.
- (xiv) Severability. If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.
- (xv) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Olin or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from Olin or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Olin or any Affiliate.
- (xvi) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.
- (xvii) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(xviii) Conflict with Plan . In the event of any inconsistency or conflict between the terms of the Plan and an Award Agreement, the terms of the Plan shall govern.

(xix) Notwithstanding any provision in this Plan to the contrary, Awards granted under Sections 6(c), 6(d) or 6(e) after January 1, 1994 and designated by the Committee as being performance-based shall have as performance measures Return on Equity and Total Return to Shareholders. For purposes of the Plan, "Return on Equity" shall mean consolidated income of Olin after taxes and before the after-tax effect of any special charge or gain and any cumulative effect of any change in accounting, divided by average shareholders equity and "Total Return to Shareholders" shall mean for the performance period total return to shareholders of \$100 worth of Shares for such period assuming reinvestment of dividends on a quarterly basis. The Committee shall determine the performance goals for each such performance measure with respect to each such Award.

Section 7. Amendment and Termination

(a) Amendments to the Plan . The Board may amend, suspend, discontinue or terminate the Plan, including, without limitation, any amendment, suspension, discontinuation or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award theretofore granted, without the consent of any shareholder, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the shareholders of Olin, no such amendment, suspension, discontinuation or termination shall be made that would:

- (i) increase the total number of Shares available for Awards under the Plan, except as provided in Section 4 hereof; or
- (ii) permit any Award encompassing rights to purchase Shares to be granted with per Share purchase or exercise prices of less than the Fair Market Value of a Share on the date of grant thereof; and

provided further that no amendment, suspension, discontinuation or termination (i) that would impair the rights of such Participant, holder or beneficiary shall be made with respect to Section 9 of the Plan after a Change in Control, as defined therein and (ii) may increase the amount of payment of any Award to any Participant.

(b) Amendments to Awards . The Committee may waive any conditions or rights with respect to, or amend, alter, suspend, discontinue, or terminate, any unexercised Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, provided that no amendment, alteration, suspension, discontinuation or termination of an Award that would impair the rights of such Participant, holder or beneficiary shall be made after a Change in Control, as defined in Section 9; provided further that the Committee may not increase the payment of any Award granted any Participant.

(c) Adjustments of Awards Upon Certain Acquisitions . In the event Olin or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the

acquisition of another business or another company, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate.

- d) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting Olin, any Affiliate, or the financial statements of Olin or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that statements of Olin or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits to be made available under the Plan.

Section 8. Additional Conditions to Enjoyment of Awards.

- (a) The Committee may cancel any unexpired, unpaid or deferred Awards if at any time the Participant is not in compliance with all applicable provisions of the Award Agreement, the Plan and the following conditions:
- (i) A Participant shall not render services for any organization or engage, directly or indirectly, in any business which, in the judgment of the Committee or, if delegated by the Committee to the Chief Executive Officer, in the judgment of such Officer, is or becomes competitive with Olin or any Affiliate, or which is or becomes otherwise prejudicial to or in conflict with the interests of Olin or any Affiliate. Such judgment shall be based on the Participant's positions and responsibilities while employed by Olin or an Affiliate, the Participant's post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between Olin or an Affiliate and the other organization or business, the effect on customers, suppliers and competitors of the Participant's assuming the post-employment position, the guidelines established in the then current edition of Olin's Code of Business Conduct, and such other considerations as are deemed relevant given the applicable facts and circumstances. The Participant shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over the counter, and such investment does not represent a substantial investment to the Participant or a greater than 1% equity interest in the organization or business.
 - (ii) Participant shall not, without prior written authorization from Olin, disclose to anyone outside Olin, or use in other than Olin's business, any secret or confidential information, knowledge or data, relating to the business of Olin or an Affiliate in violation of his or her agreement with Olin or the Affiliate.
 - (iii) A Participant, pursuant to his or her agreement with Olin or an Affiliate, shall disclose promptly and assign to Olin or the Affiliate all right, title and interest in any invention or idea, patentable or not, made or conceived by the

Participant during employment by Olin or the Affiliate, relating in any manner to the actual or anticipated business, research or development work of Olin or the Affiliate and shall do anything reasonably necessary to enable Olin or the Affiliate to secure a patent where appropriate in the United States and in foreign countries.

- (b) Notwithstanding any other provision of the Plan, the Committee in its sole discretion may cancel any Award at any time prior to the exercise thereof, if the employment of the Participant shall be terminated, other than by reason of death, unless the conditions in this Section 8 are met.
- (c) Failure to comply with the conditions of this Section 8 prior to, or during the six months after, any exercise, payment or delivery pursuant to an Award shall cause the exercise, payment or delivery to be rescinded. Olin shall notify the Participant in writing of any such rescission within two years after such exercise payment or delivery and within 10 days after receiving such notice, the Participant shall pay to Olin the amount of any gain realized or payment received as a result of the exercise, payment or delivery rescinded. Such payment shall be made either in cash or by returning to Olin the number of Shares that the Participant received in connection with the rescinded exercise, payment or delivery.
- (d) Upon exercise, payment or delivery pursuant to an Award, the Committee may require the Participant to certify on a form acceptable to the Committee, that he or she is in compliance with the terms and conditions of the Plan.
- (e) Nothing herein shall be interpreted to limit the obligations of a Participant under his or her employee agreement or any other agreement with Olin.

Section 9. Change in Control

- (a) Except as the Board or the Committee may expressly provide otherwise prior to a Change in Control of Olin (as defined below) and subject to the provisions of Section 6(f)(vii) hereof, in the event of a Change in Control of Olin:
 - (i) all Options and Stock Appreciation Rights then outstanding shall become immediately and fully exercisable, notwithstanding any provision therein for the exercise in installments;
 - (ii) unless a Stock Appreciation Right shall have already been granted with respect to an outstanding Option, the Participant holding such Option shall be deemed also to hold a Stock Appreciation Right related to such Option, exercisable in accordance with and subject to the terms and conditions of Section 6(b) for the number of Shares exercisable under such Option after giving effect to such acceleration, which Stock Appreciation Right may, but need not be, evidenced by separate written agreement;
 - (iii) all restrictions and conditions of all Restricted Stock and Restricted Stock Units then outstanding shall be deemed satisfied as of the date of the Change in Control; and
 - (iv) all Performance Awards shall become vested, deemed earned in full and promptly paid to the Participants, cash units in

cash and phantom stock units in the Shares represented thereby or such other securities, property or cash as may be deliverable in respect of Shares as a result of a Change in Control, without regard to payment schedules and notwithstanding that the applicable performance cycle or retention cycle shall not have been completed.

- (b) “Change in Control” of Olin means the occurrence of any one of the following events:
- (i) individuals who, on November 1, 2002, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided that any individual becoming a director subsequent to November 1, 2002, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin in which such individual is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall be deemed to be an Incumbent Director;
 - (ii) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of Olin’s then outstanding securities eligible to vote for the election of the Board (the “Olin Voting Securities”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));
 - (iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a “Reorganization”) or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the

total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no Person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a "Non-Qualifying Transaction");

(iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

Notwithstanding the foregoing, the acquisition by any Person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such Person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned by such Person, a Change in Control of Olin shall then be deemed to occur.

Section 10. Effective Date of the Plan

The Plan shall be effective as of the date of its approval by the shareholders of Olin.

Section 11. Term of the Plan

No Award shall be granted under the Plan after April 30, 2001, but unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date.

OLIN CORPORATION
AMENDED AND RESTATED
1997 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

(As Amended Effective January 30, 2003)

1. **Purpose** . The purpose of the Olin Corporation 1997 Stock Plan for Non-employee Directors the (“Plan”) is to promote the long-term growth and financial success of Olin Corporation by attracting and retaining non-employee directors of outstanding ability and by promoting a greater identity of interest between its non-employee directors and its shareholders.

2. **Definitions** . The following capitalized terms utilized herein have the following meanings:

“Board” means the Board of Directors of the Company.

“Cash Account” means an account established under the Plan for a Non-employee Director to which cash meeting fees, Board Chairman fees, Committee Chair fees and retainers, or other amounts under the Plan, have been or are to be credited in the form of cash.

“Change in Control” means the occurrence of any one of the following events:

(a) individuals who, on November 1, 2002, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to November 1, 2002, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin Corporation in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin Corporation as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(b) any “person” (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Olin Corporation representing 20% or more of the combined voting power of Olin Corporation’s then outstanding securities eligible to vote for the election of the Board (the “Olin Voting Securities”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the

acquisition of Olin Voting Securities by Olin Corporation or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin Corporation or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

(i) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin Corporation or any of its subsidiaries (a “Reorganization”) or sale or other disposition of all or substantially all of the assets of Olin Corporation to an entity that is not an affiliate of Olin Corporation (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin Corporation (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a “Non-Qualifying Transaction”);

(ii) the stockholders of Olin Corporation approve a plan of complete liquidation or dissolution of Olin Corporation.

Notwithstanding the foregoing, the acquisition by any person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin Corporation which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in Change in Control; provided, however, that if such person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned

by such person, a Change in Control of Olin Corporation shall then be deemed to occur.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation Committee (or its successor) of the Board.

“Common Stock” means the Company’s Common Stock, \$1.00 par value per share.

“Company” means Olin Corporation, a Virginia corporation, and any successor.

“Credit Date” means the second Thursday after the regularly scheduled board meeting in each calendar quarter (January, April, July and October).

“Excess Retainer” means with respect to a Non-employee Director the amount of the full annual cash retainer payable to such Non-employee Director from time to time by the Company for service as a director in excess of \$25,000, if any; provided that in the event the annual cash retainer is prorated to reflect that such Non-employee Director did not serve as such for the full calendar year, the \$25,000 shall be similarly prorated.

“Fair Market Value” means, with respect to a date, on a per share basis, with respect to phantom shares of Common Stock or Spin-Off Company Common Stock, the average of the high and the low price of a share of Common Stock or Spin-Off Company Common Stock, as the case may be, as reported on the consolidated tape of the New York Stock Exchange on such date or if the New York Stock Exchange is closed on such date, the next succeeding date on which it is open.

“Interest Rate” means the rate of interest equal to the Company’s before-tax cost of borrowing as determined from time to time by the Chief Financial Officer, the Treasurer or the Controller of the Company (or in the event there is no such borrowing, the Federal Reserve A1/P1 Composite rate for 90-day commercial paper plus 10 basis points, as determined by any such officer) or such other rate as determined from time to time by the Board or the Committee.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Non-employee Director” means a member of the Board who is not an employee of the Company or any subsidiary thereof.

“Olin Stock Account” means the Stock Account to which phantom shares of Common Stock are credited from time to time.

“Plan” means this Olin Corporation 1997 Stock Plan for Non-employee Directors as amended from time to time.

“Prior Plans” means the 1994 Plan and all of the Corporation’s other directors’ compensation plans, programs, or arrangements which provided for a deferred cash or stock account.

“Retirement Date” means the date the Non-employee Director ceases to be a member of the Board for any reason.

“Spin-Off Company” means Arch Chemicals, Inc., a Virginia corporation and any successor.

“Spin-Off Company Common Stock” means shares of common stock of the Spin-Off Company, par value \$1.00 per share.

“Spin-Off Company Stock Account” means the Stock Account to which phantom shares of Spin-Off Company Common Stock are credited.

“Stock Account” means an account established under the Plan for a Non-employee Director to which shares of Common Stock and Spin-Off Company Common Stock have been or are to be credited in the form of phantom stock, which shall include the Olin Stock Account and the Spin-Off Company Stock Account.

3. **Term** . The Plan originally became effective January 1, 1997, and, as amended and restated prior to January 30, 2003, shall remain in effect until shareholder approval of this amendment and restatement. Upon such shareholder approval, this Amended and Restated Plan shall become effective, and shall operate and shall remain in effect until terminated by action of the Board as provided in Section 9 hereof.

4. **Administration** . Full power and authority to construe, interpret and administer the Plan shall be vested in the Committee. Decisions of the Committee shall be final, conclusive and binding upon all parties.

5. **Participation** . All Non-employee Directors shall participate in the Plan.

6. Grants and Deferrals.

(a) Annual Stock Grant . Subject to the terms and conditions of the Plan, on the second Thursday following the regularly scheduled January Board meeting each year, each Non-employee Director shall be credited with a number of shares of Common Stock with an aggregate Fair Market Value on such date equal to \$45,000, rounded to the nearest 100 shares; provided, however, that for 2003, the total number of shares issuable shall be calculated as of February 13, 2003, but only the shares issuable with respect to \$24,000 of the Annual Stock Grant shall be credited to the Olin Stock Accounts of Non-employee Directors, and the remaining shares (together with dividend equivalents on such shares, if any) shall be credited to the Olin Stock Accounts of the Non-employee Directors as soon as possible after approval of this

Plan, as amended and restated, by the Company's shareholders. It is intended that, in the event this Plan, as amended and restated, is so approved by shareholders, Non-employee Directors shall receive an aggregate \$45,000 Annual Stock Grant for 2003, under the Plan as in existence prior to January 30, 2003 and as amended. To be entitled to such credit in any calendar year, a Non-employee Director must be serving as such on January 1 of such year; provided, however, that in the event a person becomes a Non-employee Director subsequent to January 1 of a calendar year, such Non-employee Director, on the Credit Date next following his or her becoming such, shall be credited with that number of shares (rounded up to the next whole share in the event of a fractional share) of Common Stock equal to one-twelfth of the number of shares issued to each other Non-employee Director as the Annual Stock Grant for such year, multiplied by the number of whole calendar months remaining in such calendar year following the date he or she becomes a Non-employee Director. Actual receipt of shares shall be deferred and each eligible Non-employee Director shall receive a credit to his or her Olin Stock Account in the amount of such shares and on the date of such credit. A Non-employee Director may elect in accordance with Section 6(f) to defer to his or her Olin Stock Account receipt of all or any portion of such shares to a date or dates on or following such Non-employee Director's Retirement Date. Except with respect to any shares the director has so elected to defer, certificates representing such shares shall be delivered to the Non-employee Director (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following such Non-employee Director's Retirement Date.

(b) Annual Retainer Stock Grant. Subject to the terms and conditions of the Plan, on the second Thursday following the regularly scheduled January board meeting of each year, each Non-employee Director who is such on January 1 of that year shall receive that number of shares (rounded up to the next whole share) of Common Stock having an aggregate Fair Market Value on the second Thursday following the regularly scheduled January board meeting of \$25,000. In the event a person becomes in a calendar year a Non-employee Director subsequent to January 1 and has not received the annual stock retainer for such calendar year, such person, on the Credit Date next following his or her becoming such, shall receive that number of shares (rounded up to the next whole share in the event of a fractional share) of Common Stock having an aggregate Fair Market Value on such Credit Date equal to \$2,084 times the number of whole calendar months remaining in such calendar year following the date he or she becomes a Non-employee Director. The annual cash retainer payable to the Non-employee Director shall be reduced by the aggregate Fair Market Value of the shares the Non-employee Director receives or defers as the annual retainer stock grant (excluding any rounding of fractional shares) on the date such Fair Market Value is calculated. A Non-employee Director may elect to defer receipt of all or any portion of such shares in accordance with Section 6(f). Except with respect to any shares the director has so elected to defer, certificates representing such shares shall be delivered to such Non-employee Director (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following the date as of which the shares are awarded.

(c) One-time Stock Grant. Subject to the terms and conditions of the Plan, receipt of all shares of Olin Stock credited under the one-time grants to certain Non-employee Directors that the Company made as of January 15, 1997, shall be deferred. Such Non-employee

Directors may elect in accordance with Section 6(f) to defer receipt of all or any portion of such shares to a date or dates following such Non-employee Director's Retirement Date. Except with respect to any shares so deferred, certificates representing such shares shall be delivered to such Non-employee Directors (or in the event of death, to his or her beneficiary designated pursuant to Section 6(i)) as soon as practicable following his or her Retirement Date.

(d) Election to Receive Meeting Fees, Chairman of the Board Fees, Committee Chair Fees and Excess Retainer in Stock in Lieu of Cash. Subject to the terms and conditions of the Plan, a Non-employee Director may elect to receive all or a portion of the director meeting fees, fees as Chairman of the Board, fees as a Committee Chair and the Excess Retainer payable in cash by the Company for his or her service as a director for the calendar year in the form of shares of Common Stock. Such election shall be made in accordance with Section 6(f). A Non-employee Director who so elects to receive all or a portion of the Excess Retainer in the form of shares for such year shall be paid on the second Thursday following the regularly scheduled January board meeting (or in the case of proration, when the annual stock retainer is to be paid or credited) a number of shares (rounded up to the next whole share in the event of a fractional share) equal to the amount of Excess Retainer which has been elected to be paid in shares divided by the Fair Market Value per share on the second Thursday following the regularly scheduled January board meeting of such calendar year (or in the case of a Non-employee Director who becomes such after January 1, on the Credit Date next following the day such new Non-employee Director became such). The number of shares (rounded up to the next whole share in the event of a fractional share) for a calendar quarter payable to a Non-employee Director who so elects to receive meeting fees, Board Chairman fees, or Committee Chair fees in the form of shares shall be equal to the aggregate Fair Market Value on the Credit Date next following the meeting for which such director meeting fees have been earned in the case of director meeting fees, or to the aggregate Fair Market Value on the scheduled payment date in the case of Board Chairman fees and Committee Chair fees and which are elected to be paid in shares. Except with respect to any shares the director has elected to defer, certificates representing such shares shall be delivered to the Non-employee Director as soon as practicable following the date as of which the Excess Retainer and/or fees would have been paid in cash absent an election hereunder.

(e) Deferral of Meeting Fees, Chairman of the Board Fees, Committee Chair Fees and Excess Retainer. Subject to the terms and conditions of the Plan, a Non-employee Director may elect to defer all or a portion of the shares payable under Section 6(d) and all or a portion of the director meeting fees, fees as Chairman of the Board, fees as a Committee Chair and Excess Retainer payable in cash by the Company for his or her service as a director for the calendar year. The amount of the Excess Retainer deferred in cash shall be credited on the second Thursday following the regularly scheduled January Board meeting (or in the case of proration, on the first day of the next calendar month following the day such new Non-employee Director becomes such). Such election shall be made in accordance with Section 6(f). A Non-employee Director who elects to so defer shall have any deferred shares deferred in the form of shares of Common Stock and any deferred cash fees and retainer deferred in the form of cash.

(f) Elections.

(1) *Deferrals* . All elections under Sections 6(a), 6(b), 6(c) , 6(d), 6(e), 6(f)(2) and 6(f)(3) shall (A) be made in writing and delivered to the Secretary of the Company and (B) be irrevocable. All Non-employee Director elections for payments in cash or stock or for deferrals shall be made before January 1 of the year in which the shares of Common Stock or director's fees and retainer are to be earned (or, in the case of an individual who becomes a Non-employee Director during a calendar year, prior to the date of his or her election as a director). Deferral elections shall also (A) specify the portions (in 25% increments) to be deferred and (B) specify the future date or dates on which deferred amounts are to be paid, or the future event or events upon the occurrence of which the deferred amounts are to be paid, and the method of payment (lump sum or annual installments (up to 10)). However, Non-employee Directors may elect to defer all of his or her cash dividends on the Stock Account in whole and not in part and all of his or her interest on the Cash Account in whole but not in part. Installment payments from an Account shall be equal to the Account balance (expressed in shares in the case of the Stock Account, otherwise the cash value of the Account) at the time of the installment payment times a fraction, the numerator of which is one and the denominator of which is the number of installments not yet paid. Fractional shares to be paid in any installment shall be rounded up to the next whole share. In the event of an election under Section 6(d) for director meeting fees, Board Chairman fees, Committee Chair fees or Excess Retainer to be paid in shares of Common Stock, the election shall specify the portion (in 25% increments) to be so paid. Any change with respect to the terms of a Non-employee Director's election for (A) amount or form of any future deferral or the form of payment of any director compensation hereunder may be made at any time prior to such compensation being earned (and in the case of quarterly fees, prior to the start of the quarter in which the fees are to be earned) and (B) the timing (which timing may not accelerate a distribution date) or amount of payments from any Account shall only be effective if made at least six months prior to the payout and in the calendar year prior to the calendar year payout is to occur.

(2) *Olin Stock Account* . On the Credit Date (or in the case of a proration, on the first day of the appropriate calendar month), a Non-employee Director who has elected to defer shares under Sections 6(b) or 6(e) shall receive a credit to his or her Olin Stock Account. The amount of such credit shall be the number of shares so deferred (rounded to the next whole share in the event of a fractional share). A Non-employee Director may elect to defer the cash dividends paid on his or her Stock Account in accordance with Section 6(f)(4).

(3) *Cash Account*. On the Credit Date or in the case of the Excess Retainer, on the day on which the Non-employee Director is entitled to receive such Excess Retainer, a Non-employee Director who has elected to defer cash fees and/or the Excess Retainer under Section 6(e) in the form of cash shall receive a credit to his or her Cash Account. The amount of the credit shall be the dollar amount of such Director's meeting fees, Board Chairman fees or Committee Chair fees earned during the immediately preceding quarterly period or the amount of the Excess Retainer to be paid for the

calendar year, as the case may be, and in each case, specified for deferral in cash. A Non-employee Director may elect to defer interest paid on his or her Cash Account in accordance with Section 6(f)(4).

(4) *Dividends and Interest* . Each time a cash dividend is paid on Common Stock or Spin-Off Company Common Stock, a Non-employee Director who has shares of such stock credited to his or her Stock Account shall be paid on the dividend payment date such cash dividend in an amount equal to the product of the number of shares credited to the Non-employee Director's Olin Stock Account or Spin-Off Company Stock Account, as the case may be, on the record date for such dividend times the dividend paid per applicable share unless the director has elected to defer such dividend to his or her applicable Stock Account as provided herein. If the Non-employee Director has elected to defer such dividend, he or she shall receive a credit for such dividends on the dividend payment date to his or her Olin Stock Account or Spin-Off Company Stock Account, as the case may be. The amount of the dividend credit shall be the number of shares (rounded to the nearest one-thousandth of a share) determined by multiplying the dividend amount per share by the number of shares credited to such director's applicable Stock Account as of the record date for the dividend and dividing the product by the Fair Market Value per share of Common Stock or Spin-Off Company Common Stock, as the case may be, on the dividend payment date. A Non-employee Director who has a Cash Account shall be paid directly on each Credit Date interest on such account's balance at the end of the preceding quarter, payable at a rate equal to the Interest Rate in effect for such preceding quarter unless such Non-employee Director has elected to defer such interest to his or her Cash Account, in which case such interest shall be credited to such Cash Account on the Credit Date.

(5) *Payouts* . Cash Accounts and the Spin-Off Company Stock Account will be paid out in cash and Olin Stock Accounts shall be paid out in shares of Common Stock unless the Non-employee Director elects at the time the payment is due to take the Olin Stock Account in cash. Cash amounts and certificates representing shares credited to the Olin Stock Account shall be delivered to the Non-employee Director as soon as practicable following the termination of the deferral and consistent therewith.

(g) No Stock Rights . Except as expressly provided herein, the deferral of shares of Common Stock or Spin-Off Company Common Stock into a Stock Account shall confer no rights upon such Non-employee Director, as a shareholder of the Company or of the Spin-Off Company or otherwise, with respect to the shares held in such Stock Account, but shall confer only the right to receive such shares credited as and when provided herein.

(h) Change in Control . Notwithstanding anything to the contrary in this Plan or any election, in the event a Change in Control occurs, amounts and shares credited to Cash Accounts (including interest accrued to the date of payout) and Stock Accounts shall be promptly distributed to Non-employee Directors except the Olin Stock Account shall be paid out in cash and not in the form of shares of Common Stock. For this purpose, the cash value of the amount in the Stock Account shall be determined by multiplying the number of shares held in the Olin

Stock Account or the Spin-Off Company Stock Account by the higher of (i) the highest Fair Market Value of Common Stock or Spin-Off Company Common Stock, as appropriate, on any date within the period commencing 30 days prior to such Change in Control and ending on the date of the Change in Control, or (ii) if the Change in Control occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock or Spin-Off Company Common Stock, as appropriate, pursuant thereto.

(i) Beneficiaries. A Non-employee Director may designate at any time and from time to time a beneficiary for his or her Stock and Cash Accounts in the event his or her Stock or Cash Account may be paid out following his or her death. Such designation shall be in writing and must be received by the Company prior to the death to be effective.

(j) Prior Plan Accounts. Any transfers made to a Cash Account or a Stock Account from Prior Plans shall be maintained and administered pursuant to the terms and conditions of this Plan; provided that prior annual 100- or 204-share grant deferrals shall be treated as deferrals of 204-share grants under this Plan, the \$25,000 annual share grant under the 1994 Plan shall be treated as deferrals under Paragraph 6 (b) hereof and deferrals of meeting fees under all Prior Plans and of the Excess Retainer under the 1994 Plan shall be treated as deferrals under Paragraph 6(d) hereof. Prior elections and beneficiary designations under the 1994 Plan and this Plan shall govern this Plan unless changed subsequent to October 2, 1997.

(k) Stock Account Transfers. A Non-Employee Director may elect from time to time to transfer all or a portion (in 25% increments) of his or her Spin-Off Company Stock Account to his or her Olin Stock Account. The amount of phantom shares of Common Stock to be credited to a Non-Employee Director's Olin Stock Account shall be equal to the number of shares of Common Stock that could be purchased if the number of phantom shares of Spin-Off Company Common Stock in his or her Spin-Off Company Stock Account being transferred were sold and the proceeds reinvested in Common Stock based on the Fair Market Value of each. Except as provided in Section 6(f) (4) with respect to dividends or in Section 8, no additional contributions or additions may be made to a Non-Employee Director's Spin-Off Company Stock Account after the Distribution Date.

7. Limitations and Conditions

(a) Total Number of Shares. The total number of shares of Common Stock that may be issued to Non-employee Directors under the Plan is 300,000. Such total number of shares may consist, in whole or in part, of authorized but unissued shares. The foregoing number may be increased or decreased by the events set forth in Section 8 below. No fractional shares shall be issued hereunder. In the event a Non-employee Director is entitled to a fractional share, such share amount shall be rounded upward to the next whole share amount.

(b) No Additional Rights. Nothing contained herein shall be deemed to create a right in any Non-employee Director to remain a member of the Board, to be nominated for reelection or to be reelected as such or, after ceasing to be such a member, to receive any cash or shares of Common Stock under the Plan which are not already credited to his or her accounts.

8. Stock Adjustments. In the event of any merger, consolidation, stock or other non-cash dividend, extraordinary cash dividend, split-up, spin-off, combination or exchange of shares or recapitalization or change in capitalization, or any other similar corporate event, the Committee may make such adjustments in (i) the aggregate number of shares of Common Stock that may be issued under the Plan as set forth in Section 7 (a) and the number of shares that may be issued to a Non-employee Director with respect to any year as set forth in Section 6(a) and the number of shares of Olin Common Stock or Spin-Off Company Common Stock, as the case may be, held in a Stock Account, (ii) the class of shares that may be issued under the Plan and (iii) the amount and type of payment that may be made in respect of unpaid dividends on shares of Spin-Off Company Common Stock or Common Stock whose receipt has been deferred pursuant to Section 6(f), as the Committee shall deem appropriate in the circumstances. The determination by the Committee as to the terms of any of the foregoing adjustments shall be final, conclusive and binding for all purposes of the Plan.

9. Amendment and Termination. This Plan may be amended, suspended or terminated by action of the Board, except to the extent that amendments are required to be approved by the Company's shareholders under applicable law or the rules of the New York Stock Exchange or any other exchange or market system on which the Common Stock is listed or traded. No termination of the Plan shall adversely affect the rights of any Non-employee Director with respect to any amounts otherwise payable or credited to his or her Cash Account or Stock Account.

10. Nonassignability. No right to receive any payments under the Plan or any amounts credited to a Non-employee Director's Cash or Stock Account shall be assignable or transferable by such Non-employee Director other than by will or the laws of descent and distribution or pursuant to a domestic relations order. The designation of a beneficiary under Section 6(i) by a Non-employee Director does not constitute a transfer.

11. Unsecured Obligation. Benefits payable under this Plan shall be an unsecured obligation of the Company.

12. Rule 16b-3 Compliance. It is the intention of the Company that all transactions under the Plan be exempt from liability imposed by Section 16(b) of the Exchange Act. Therefore, if any transaction under the Plan is found not to be in compliance with an exemption from such Section 16(b), the provision of the Plan governing such transaction shall be deemed amended so that the transaction does so comply and is so exempt, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of an exemption.

**1996 STOCK OPTION PLAN
FOR KEY EMPLOYEES OF
OLIN CORPORATION AND SUBSIDIARIES**
(As amended as of January 30, 2003)

1. Purpose of the Plan. The general purpose of the 1996 Stock Option Plan for Key Employees of Olin Corporation and Subsidiaries (the "Plan") is to aid in attracting, maintaining and developing a management capable of assuring the future success of Olin Corporation ("Olin") by providing to key employees of Olin and its subsidiaries additional incentive to enlarge their proprietary interest in Olin, to continue and increase their efforts on Olin's behalf and to remain in the employ of Olin or its subsidiaries.

2. Shares Subject to the Plan. Options may be granted from time to time under the Plan in respect of an aggregate not exceeding 1,500,000 shares of Common Stock of Olin (subject to the provisions of paragraph 15 hereof). Notwithstanding any other provision of the Plan, no person shall be granted options for more than 300,000 shares (subject to adjustment as provided in paragraph 15) during the term of the Plan. If any option granted under the Plan shall expire or terminate for any reason other than its surrender pursuant to paragraph 7 (including, without limitation, by reason of its surrender or cancellation, in whole or in part, or the substitution therefor of a new option) without having been exercised in full, the unpurchased shares subject thereto shall (unless the Plan shall have been terminated) again be available for other options to be granted under the Plan.

3. Administration of the Plan. The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors of Olin and consisting of not less than three of those Board members, each of whom shall qualify as (a) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the "Code") and (b) a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Act").

The Committee shall have plenary authority in its discretion, but subject to the express provisions of the Plan, to determine the purchase price of the Common Stock covered by each option, the employees to whom, and the time or times at which, options shall be granted and the number of shares to be covered by each option; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to it; to determine the terms and provisions (and amendments thereof) of the respective option agreements (which need not be identical), including, if the Committee shall determine that a particular option is to conform to the requirements of any provision of the Internal Revenue Code as amended from time to time, such terms and provisions (and amendments) as shall be requisite in the judgment of the Committee to provide therefor or to conform to any change in any law or regulation applicable thereto; and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee's determination on the foregoing matters shall be conclusive.

The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by not less than a majority of its members. A decision or determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable. The Committee may designate the Secretary of Olin or other employees of Olin to assist the Committee in the administration of the Plan and may grant authority to such persons to execute option agreements or other documents on behalf of the Committee.

4. Eligibility; Factors to be Considered in Granting Options. Options may be granted only to full-time employees (including officers) of Olin and of its present and future subsidiary corporations ("subsidiaries"). A Director of Olin or of a subsidiary who is not also such an employee will not be eligible to receive an option. In determining the employees to whom options shall be granted and the number of shares to be covered by each option, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of Olin, and such other factors as the Committee in its discretion shall deem relevant. An employee who has been granted an option under the Plan or under any prior stock option plan of Olin may be granted an additional option or options if the Committee shall so determine. Nothing contained in the Plan shall be construed to limit the right of Olin to grant or assume options otherwise than under the Plan in connection with the acquisition by purchase, lease, merger, consolidation or otherwise of the business and assets of any corporation, firm or association, including options granted to employees thereof who become employees of Olin or a subsidiary, or for other proper corporate purposes.

5. Option Prices. The purchase price of the Common Stock covered by each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock at the time of granting the option. Such fair market value shall be determined by the Committee and shall be taken at no less than the mean of the high and low sales prices of the Common Stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues on such date or, if the Common Stock was not traded on such date, on the first preceding day on which the Common Stock was traded.

6. Exercise of Options. The Committee shall have authority in its discretion to prescribe in any option agreement that the option will be exercisable in full at any time or from time to time during the term of the option, or to provide for the exercise thereof in such installments at such times during said term as the Committee may determine. An option may be exercised, at any time or from time to time during the term of the option, as to any or all full shares which have become purchasable under the provisions of the option but not as to less than 25 shares at any one time. The option price shall be paid in full in cash or its equivalent at the time the option is exercised; provided, however, that the Committee may

elect to permit such option price to be paid in shares of Common Stock of Olin, or a combination of cash and shares of Common Stock of Olin, the fair market value of such Common Stock to be determined for such purpose in such manner as shall be selected by the Committee, but not at more than the mean of the high and low sales prices of the Common Stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues on the date on which the optionee's written notice of exercise is received by Olin, or if the Common Stock was not traded on such day, on the first preceding day on which the Common Stock was traded. The term of each option shall be not more than ten years from the date of granting thereof, or such shorter period as is prescribed in paragraphs 11, 13 and 14 hereof. Except as provided in said paragraphs 11, 13 and 14 hereof, no option may be exercised at any time unless the holder thereof is then a regular employee of Olin or one of its subsidiaries. The holder of an option shall not have any of the rights of a shareholder with respect to the shares covered by his or her option until such shares shall be issued to him or her upon the due exercise of the option.

In lieu of requiring an optionee to pay in cash such federal, state or local income taxes as may be applicable to exercise of an option ("withholding taxes"), the Committee may elect to permit withholding taxes to be paid by the optionee in shares of Common Stock of Olin or in a combination of cash and shares of Common Stock of Olin, the fair market value of such Common Stock to be determined for such purpose as provided in the next preceding paragraph with respect to the use of Common Stock of Olin in payment of the option price.

Shares delivered in payment of an option price or for withholding taxes may be shares withheld by Olin upon exercise of an option or shares already owned by the optionee.

7. Stock Appreciation Rights. The Committee shall have authority in its discretion to grant a stock appreciation right ("SAR") to an optionee which shall relate to and have the same terms and conditions as a specific option granted to the optionee under the Plan (the "related option") together with such additional terms and conditions, if any, as the Committee in its discretion may prescribe. An SAR may be granted at the same time as the related option is granted or, except as otherwise provided herein, at any time thereafter prior to the last day on which the related option may be exercised. Each SAR shall be evidenced by written agreement in such form as the Committee shall approve. An SAR shall entitle the optionee, upon surrender of an exercisable related option or an exercisable portion thereof, to receive a payment, at the election of the Committee, in cash, shares of Common Stock of Olin (and such other shares as may be deliverable as a result of an adjustment pursuant to paragraph 15 ("adjustment shares")) or a combination of cash and shares of Common Stock of Olin (and adjustment shares) equivalent to the appreciated value of the shares that the optionee would have been entitled to purchase pursuant to the related option or portion thereof surrendered. Such appreciated value shall be the difference between the option price of such shares (as adjusted pursuant to paragraph 15) and the fair market value of such shares (as defined in paragraph 5) on the date on which the optionee's notice of exercise is received by Olin. If all or a portion of such payment is made in shares of Common Stock of Olin (or adjustment shares), the shares shall be valued for purposes of such payment at their fair market value, as defined in paragraph 5, on the date on which the optionee's written notice of

exercise is received by Olin. No fractional shares shall be issued as a result of exercising an SAR.

An SAR shall be exercisable only during the period when the related option is also exercisable. In no event shall an SAR or the related option held by an optionee who is subject to the limitations of Section 16(b) of the Act be exercisable during the first six months following its date of grant, provided that this restriction shall not apply in the event of the death or disability of the optionee prior to the expiration of such six-month period. If an SAR is exercised, the related option shall cease to be exercisable to the extent of the number of shares with respect to which the SAR was exercised. Upon the exercise or termination of a related option, the SAR granted with respect thereto shall terminate to the extent of the number of shares as to which the related option was exercised or terminated.

In lieu of requiring an optionee to pay cash and receive certificates for shares of Common Stock of Olin (and adjustment shares) upon the exercise of an option, if the option agreement so provides, initially or by amendment, the Committee may elect to require the optionee to surrender the option to Olin for cancellation as to all or any portion of the number of shares covered by the intended exercise and receive in exchange for such surrender a payment, at the election of the Committee, in cash, in shares of Common Stock of Olin (and adjustment shares), or a combination of cash and shares of Common Stock of Olin (and adjustment shares) equivalent to the appreciated value of the shares covered by the option surrendered for cancellation. Such appreciated value shall be the difference between the option price of such shares (as adjusted pursuant to paragraph 15) and the fair market value of such shares, as defined in paragraph 5, on the date on which the optionee's notice of exercise is received by Olin. If all or any part of such payment shall be in shares of Common Stock of Olin (or adjustment shares), the shares shall be valued for purposes of such payment at their fair market value, as defined in paragraph 5, on the date on which the optionee's notice of exercise is received by Olin. Upon delivery to Olin of a notice of exercise of option, the Committee may avail itself of its right to require the optionee to surrender the option to Olin for cancellation as to shares covered by such intended exercise. The Committee's right of election shall expire, if not exercised, at the close of business on the fifth business day following the delivery to Olin of such notice. Should the Committee not exercise such right of election, the delivery of the aforesaid notice of exercise shall constitute an exercise by the optionee of the option to the extent therein set forth, and payment for the shares covered by such exercise shall become due immediately.

8. Change in Control. In the event of a Change in Control of Olin, as defined below, each option then outstanding shall become immediately and fully exercisable, notwithstanding any provision therein for the exercise of such option in installments and unless an SAR shall already have been granted with respect to such option, the optionee shall be deemed to hold an SAR related to such option, exercisable in accordance with and subject to all of the terms and conditions of the first two paragraphs of paragraph 7, for the number of shares exercisable under such option after giving effect to such acceleration. Such SAR may, but need not be, evidenced by separate written agreement. For the purposes of this

paragraph 8, a Change in Control shall mean the occurrence of any one of the following events:

(i) individuals who, on November 1, 2002, constitute Olin's Board of Directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of Olin's Board of Directors; provided that any person becoming a director subsequent to November 1, 2002, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than Olin's Board of Directors shall be deemed to be an Incumbent Director;

(ii) any "person" (as such term is defined in Section 3(a)(9) of the Act and as used in Sections 13(d)(3) and 14(d)(2) of the Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of Olin's then outstanding securities eligible to vote for the election of Olin's Board of Directors (the "Olin Voting Securities"); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a "Reorganization") or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a "Sale"), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Olin Voting Securities that were outstanding immediately prior to such

Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by Olin's Board of Directors of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a "Non-Qualifying Transaction");

(iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

Notwithstanding the foregoing, the acquisition by any person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned by such person, a Change in Control of Olin shall then be deemed to occur.

9. Employee's Agreement to Serve. Each employee receiving an option shall, as one of the terms of the option agreement, agree that he or she will, during employment, devote his or her entire time, energy and skill to the service of Olin or a subsidiary and the promotion of its interests, subject to vacations, sick leave and other absences in accordance with the regular policies of, or other reasons satisfactory to, Olin and its subsidiaries. Such employment shall (subject to the terms of any contract between Olin or any such subsidiary and such employee) be at the pleasure of Olin or such subsidiary, and shall be at such compensation as Olin or such subsidiary shall determine from time to time. Upon termination of such employee's employment either (a) for cause or (b) voluntarily on the part of the employee and without the written consent of Olin, any option or options held by him or her under the Plan, to the extent not theretofore exercised, shall forthwith terminate. Retirement pursuant to any retirement plan of Olin or of a subsidiary shall be deemed to be a termination of employment with Olin's consent.

10. Non-Transferability of Options. No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, except an option may be transferred by gift to any member of the optionee's immediate family or to a trust for the benefit of one or more of such immediate family members if simultaneously with or prior to its granting the Committee shall have adopted a resolution indicating that such option is transferable. During the lifetime of an optionee, an option shall be exercisable only by the optionee unless it has been transferred as permitted hereby, in which case it shall be exercisable only by such transferee. For the purpose of this paragraph 10 an optionee's "immediate family" shall mean the optionee's spouse, children and grandchildren.

11. Termination of Employment. In the event the employment of an employee to whom an option has been granted under the Plan shall be terminated (otherwise than by reason of death), such option may, subject to the provisions of the next to last sentence of paragraph 9 and to the provisions of paragraph 12, be exercised (to the extent of the number of shares that the employee was entitled to purchase under such option at the termination of employment) at any time within three months after such termination (which three-month period may be extended by the Committee), but in no event shall such three-month period or any such extension permit the exercise of an option after the expiration date of the option specified in the option agreement therefor. Options granted under the Plan shall not be affected by any change of duties or position so long as the optionee continues to be an employee of Olin or of a subsidiary. Nothing in the Plan or in any option granted pursuant thereto shall confer on any employee any right to continue in the employ of Olin or any of its subsidiaries or affect in any way the right of Olin or any of its subsidiaries to terminate his or her employment at any time.

12. Conditions to Enjoyment of Options. The following conditions shall apply to the grant and exercise of options:

(i) The optionee shall not render services for any organization or engage, directly or indirectly, in any business which, in the judgment of the Committee or, if delegated to the Chief Executive Officer, in the judgment by such Officer, is or becomes competitive with Olin or any subsidiary, or which is or becomes otherwise prejudicial to or in conflict with the interests of Olin or any subsidiary. Such judgment shall be based on the optionee's positions and responsibilities while employed by Olin or any subsidiary, the optionee's post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between Olin or a subsidiary and the other organization or business, the effect on customers, suppliers and competitors of the optionee's assuming the post-employment position, the guidelines established in the then current edition of Olin's Code of Business Conduct, and such other considerations as are deemed relevant given the applicable facts and circumstances. The optionee shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over the counter, and such investment does not represent a substantial investment to the optionee or a greater than 10% equity interest in the organization or business.

(ii) The optionee shall not, without prior written authorization from Olin, disclose to anyone outside Olin, or use in other than Olin's business, any secret or confidential information, knowledge or data, relating to the business of Olin or a subsidiary in violation of his or her agreement with Olin or the subsidiary.

(iii) The optionee, pursuant to his or her agreement with Olin or a subsidiary, shall disclose promptly and assign to Olin or the subsidiary all right, title, and interest in any invention or idea, patentable or not, made or conceived by the optionee during employment by Olin or the subsidiary, relating in any manner to the actual or anticipated business, research or development work of Olin or the subsidiary and shall do anything reasonably necessary to enable Olin or the subsidiary to secure a patent where appropriate in the United States and in foreign countries.

Notwithstanding any other provision of the Plan, the Committee in its sole discretion, which may be delegated to the Chief Executive Officer of Olin, may cancel any option at any time prior to the exercise thereof, if the employment of the optionee shall be terminated, other than by reason of death, unless the conditions in this paragraph 12 are met.

Failure to comply with the conditions of this paragraph 12 prior to, or during the six months after, any exercise shall constitute a rescission of the exercise. The difference between the fair market value (as defined in paragraph 5) on date of exercise of the shares exercised and the option price shall be returned to Olin by the optionee, in cash, within 10 days after notice of the rescission has been given to the optionee by Olin's Chief Executive Officer, chief legal officer or chief personnel officer. Such notice may be given at any time within two years of the date of exercise.

Upon exercise of an option, the optionee shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of the Plan.

13. Death of an Employee. If an employee to whom an option has been granted under the Plan shall die while employed by Olin or a subsidiary or after the termination of such employment, such option may, subject to the provisions of the next to the last sentence of paragraph 9 and to the provisions of paragraph 12, be exercised by the legatee or legatees of the employee under his or her last will, or by his or her personal representatives or distributees or permitted transferee, as follows: if an employee dies while so employed, at any time within one year after the employee's death (which one-year period may be extended by the Committee), to the extent of the remaining shares covered by such option, whether or not such shares had become purchasable by the employee at the date of his or her death; and if an employee dies after termination of employment and within the period an option remains exercisable, at any time within the longer of (i) the period that he or she could have exercised the option had he or she not died or (ii) one year after the date of death (which one-year period may be extended by the Committee), in either case, to the extent of the number of shares purchasable by such employee or permitted transferee pursuant to the provisions of paragraph 11 at the date of his or her death. Notwithstanding the provisions of this paragraph

13, no option shall be exercisable after the expiration date specified in the option agreement therefor.

14. Disability of an Employee. If an employee to whom an option has been granted under the Plan shall become totally and permanently disabled, as that term is now defined in Section 22(e)(3) of the Code, as such Section may be amended from time to time, and the employee's employment with Olin or a subsidiary is terminated as a result, such option may be exercised by such employee or permitted transferee within one year after the date of termination of employment, provided that no option shall be exercisable after the expiration date specified in the option agreement therefor nor for more shares than that which could have been purchased thereunder on the date of termination of employment.

15. Adjustments upon Changes in Capitalization. In the event of any change in the outstanding Common Stock of Olin by reason of stock dividends, stock splits, recapitalization, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distributions to common shareholders other than cash dividends, the numbers, class and prices of shares covered by outstanding options granted under the Plan and the aggregate number and class of shares available under the Plan, shall be appropriately adjusted by the Committee, whose determination shall be conclusive. Without limiting the foregoing, in the event of any split-up, split-off, spin-off or other distribution to shareholders of shares representing a part of Olin's business, properties and assets, the Committee may, with the consent of an optionee, modify an outstanding option or options so that such option or options shall thereafter relate to shares of Common Stock of Olin and shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed to shareholders of Olin in the same ratio in which holders of the Common Stock of Olin became entitled to receive shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed.

16. Effectiveness of the Plan. The Plan shall become effective on January 25, 1996, provided the Plan (and any options granted under the Plan) will terminate if the Plan is not approved by a sufficient number of votes cast by the shareholders at the 1996 Annual Meeting of Shareholders to qualify the Plan for an exemption under Rule 16b-3 of the Act and for an exception to Section 162(m) of the Code.

17. Time of Granting of Options. The granting of an option pursuant to the Plan shall take place on the date established by the Committee. However, no option may be exercised if the employee to whom the option is granted shall fail to execute and deliver a copy of the option agreement to the Committee or Olin within 60 days after delivery of the option agreement to such employee.

18. Consent of Employee. Every employee who accepts an option under the Plan shall be bound by the terms and restrictions of the Plan and his or her acceptance of an

option shall constitute an agreement between him or her and Olin and its subsidiaries and any successors in interest to any of them.

19. Termination and Amendment. Unless the Plan theretofore has been terminated as herein provided, it shall terminate on, and no option shall be granted thereunder after, January 25, 2006. The Board of Directors of Olin may at any time prior to that date terminate the Plan, or make such modification thereof as it shall deem advisable; provided, however, that the Board of Directors may not, without further approval by shareholders of Olin, (a) increase the maximum number of shares for which options may be granted under the Plan (except for adjustments permitted by Paragraph 15 hereof), (b) change the manner of determining the minimum option prices, other than to change the manner of determining the fair market value of the Common Stock as stated in paragraph 5 above to conform to any then applicable provisions of the Internal Revenue Code or regulations thereunder, or (c) increase the period during which options may be granted. No termination, modification or amendment of the Plan may, without the consent of the employee to whom any option shall theretofore have been granted, adversely affect the rights of such employee under such option, except for termination resulting as provided in Paragraph 16 hereof.

20. Incentive Stock Option Limitation. The aggregate fair market value (determined at the time an option is granted) of Common Stock of Olin with respect to which incentive stock options (as defined in Section 422 of the Code) are exercisable for the first time by an individual during any calendar year (under the Plan and any other stock option plan of the individual's employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000.

21. Rule 16b-3 Compliance. It is the intention of Olin that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16 (b) of the Act with respect to persons who are subject to such Section. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3, that provision shall be deemed amended as to such persons so that the Plan does so comply to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3 with respect to persons who are subject to Section 16 of the Act.

OLIN CORPORATION
2000 LONG TERM INCENTIVE PLAN
(As Amended through January 30, 2003)

Section 1. Purpose.

The general purposes of the Olin Corporation 2000 Long Term Incentive Plan (the "Plan") are to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further identify Participants' interests with those of other shareholders of Olin Corporation (together with any successor, "Olin") through compensation that is based on Olin's common stock; and thereby promote the long-term financial interest of Olin and its Affiliates, including growth in the value of Olin's equity and enhancement of long-term shareholder return.

Section 2. Definitions.

As used in the Plan:

- (a) "Affiliate" means any corporation, partnership, joint venture or other entity during any period in which Olin owns, directly or indirectly, at least 50% of the total voting or profits interest.
- (b) "Award" means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share or Dividend Equivalent granted under the Plan.
- (c) "Award Agreement" means any written agreement or other instrument or document evidencing an Award granted under the Plan. The terms of any plan or guideline adopted by the Board or the Committee and applicable to an Award shall be deemed incorporated in and a part of the related Award Agreement.
- (d) "Board" means the Board of Directors of Olin.
- (e) "Cash Flow" means consolidated net income of Olin, before the after-tax effect of any special charge or gain or cumulative effect of any change in accounting, plus depreciation and amortization, less capital and investment spending and plus or minus changes in working capital.
- (f) "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.
- (g) "Committee" means a committee of the Board designated by the Board to administer the Plan, each member of which is an "outside director" for purposes of Section 162(m) of the Code and a "non-employee director" for the purpose of Rule 16b-3, and, to the extent the Committee delegates authority to one or more individuals in accordance with the Plan, such individual(s).
- (h) "Dividend Equivalent" means any right granted under Section 6(c)(ii) of the Plan.

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- (i) “Earnings Per Share” means, for a fiscal year, consolidated net income of Olin before the after-tax effect of any special charge or gain or cumulative effect of a change in accounting, divided by the weighted average number of shares of common stock outstanding, on a fully diluted basis.
 - (j) “Economic Value Added” means Olin’s consolidated sales less its operating costs (including tax) less a capital charge based on Olin’s cost of capital on assets employed in the business.
 - (k) “Employee” means any employee of Olin or of an Affiliate.
 - (l) “Fair Market Value” means, with respect to shares of Olin common stock, the mean of the high and low per share sales prices of such common stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues as of the relevant date, or the last preceding trading date, if such Shares were not traded on such date, and, with respect to any other property (including, without limitation, securities other than Shares), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.
 - (m) “Family Member” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationship, or any person sharing the Participant’s household, other than a tenant or employee.
 - (n) “Incentive Stock Option” means an option to purchase Shares granted under the Plan that is intended to meet the requirements of Section 422 of the Code.
 - (o) “Non-Qualified Stock Option” means an option to purchase Shares granted under the Plan that is not intended to be an Incentive Stock Option.
 - (p) “Option” means an Incentive Stock Option or a Non-Qualified Stock Option.
 - (q) “Participant” means an Employee granted an Award under the Plan.
 - (r) “Performance Share” means any grant of a right to receive Shares which is contingent on the achievement of performance or other objectives during a specified period.
 - (s) “Person” means any individual, corporation, partnership, limited liability company, association, joint venture, stock company, trust, unincorporated organization, or government or political subdivision thereof.
 - (t) “Pre-Tax Profit” means, for a fiscal year, the consolidated income before taxes of Olin, before any special charges or gains.
 - (u) “Released Securities” means securities that were Restricted Securities with respect to which all applicable restrictions imposed under the terms of the relevant Award have expired, lapsed or been waived or satisfied.

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- (v) “Restricted Securities” means Awards of Restricted Stock or other Awards under which outstanding Shares are held subject to certain restrictions.
 - (w) “Restricted Stock” means any grant of Shares, and “Restricted Stock Unit” means the grant of a right to receive Shares in the future, with such Shares or right to future delivery of Shares subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by the Committee.
 - (x) “Return on Capital” means consolidated net income of Olin plus after-tax interest expense and the after-tax effect of any special charge or gain and any cumulative effect of a change in accounting, divided by average consolidated total assets of Olin less total non-interest-bearing liabilities.
 - (y) “ROE” shall mean the consolidated net income of Olin before the after tax effect of any special charge or gain and any cumulative effect of any change in accounting, divided by average shareholders equity.
 - (z) “RONA” means Pre-tax Profit before interest expense divided by average consolidated total assets of Olin less total non-interest-bearing liabilities.
 - (aa) “Rule 16b-3” means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule.
 - (bb) “Shares” means the common stock of Olin and such other securities or property as may become the subject of Awards pursuant to an adjustment made under Section 4(b) of the Plan.
 - (cc) “Stock Appreciation Right” or “SAR” means any such right granted under Section 6(b) of the Plan.

Section 3. Administration.

- (a) Powers of Committee. The Plan shall be administered by the Committee which shall have full power and authority to: (i) designate Participants; (ii) determine the Awards to be granted to Participants; (iii) determine the number of Shares (or securities convertible into Shares) to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, substituted, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, substituted, forfeited or suspended, provided that no such action will result in repricing of Options prohibited by Section 6(f)(ii); (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the Participant or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and guidelines and appoint such agents as it shall deem appropriate for the administration of the Plan; and (ix) make any other

determination and take any other action that it deems necessary or desirable for such administration.

- (b) Committee Discretion. All designations, determinations, interpretations and other decisions with respect to the Plan or any Award shall be within the sole discretion of the Committee and shall be final, conclusive and binding upon all Persons, including Olin, any Affiliate, any Participants, any holder or beneficiary of any Award, any shareholder and any employee of Olin or of any Affiliate. The Committee's powers include the adoption of modifications, amendments, procedures, subplans and the like as are necessary to comply with provisions of the laws of other countries in which Olin or an Affiliate may operate in order to assure the viability of Awards granted under the Plan and to enable Participants employed in such other countries to receive benefits under the Plan and such laws, provided that no such action results in repricing of Options prohibited by Section 6(f)(ii).
- (c) Board Authority. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.
- (d) Delegation. Notwithstanding any provision of the Plan to the contrary, except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may delegate to one or more officers or managers of Olin or any Affiliate, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights or conditions with respect to, alter, discontinue, suspend, or terminate Awards held by, Employees who are not officers or directors of Olin for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, provided that no such action shall result in repricing of Options prohibited by Section 6(f)(ii).
- (e) Prohibition on Option Repricing. Notwithstanding any other provision of the Plan, neither the Board nor the Committee may reprice, replace or regrant any Option granted under the Plan or any other plan of Olin, (i) through cancellation and replacement or regrant with lower priced options or (ii) by lowering the option exercise price of a previously granted award, without the prior approval of Olin's shareholders.

Section 4. Shares Available for Awards.

- (a) Shares Available. Subject to adjustment as provided in Section 4(b) of the Plan:
 - (i) The aggregate number of Shares available for granting Awards under the Plan shall be 2,250,000. If an Award is denominated in or relates to a security of Olin convertible into its Common Stock, the number of shares of Common Stock into which such security shall be convertible (calculated as of the date of grant of the Award, subject to adjustment as provided in Section 4(b) hereof or under the terms of such security) shall be deemed denominated in Shares and counted against the aggregate number of Shares available for the granting of Awards under the Plan.
 - (ii) For purposes of this Section 4(a) and of Section 4(c)(iv):

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- (A) If any Shares covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or if the Shares are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding obligation, such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan; and
- (B) If the exercise price of any Option granted under the Plan is satisfied by tendering Shares (by either actual delivery or by attestation), only the number of Shares issued net of the Shares tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.
- (b) Adjustments. In the event of any change in the Shares by reason of stock dividends, stock splits, recapitalization, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distributions to shareholders other than cash dividends, (i) the numbers, class and prices of Shares covered by outstanding Awards under the Plan (provided that no such adjustment shall result in repricing of Options prohibited by Section 6(f)(ii) of the Plan), (ii) the aggregate number and class of Shares available under the Plan, and (iii) the numbers and class of Shares that may be the subject of Awards pursuant to Section 4(c), shall be adjusted by the Committee, whose determination shall be conclusive.
- (i) Without limiting the foregoing, in the event of any split-up, split-off, spin-off or other distribution to shareholders of shares representing a part of Olin's business, properties and assets, the Committee may modify an outstanding Award so that such Award shall thereafter relate to Shares of Olin and shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed to shareholders of Olin in the same ratio in which holders of the Shares became entitled to receive shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off or spun-off or otherwise distributed, provided that no such action results in repricing of Options prohibited by Section 6(f)(ii).
- (ii) With respect to Awards of Incentive Stock Options, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422 of the Code or any successor provision thereto, unless the holder of such Award of Incentive Stock Options agrees to convert such options to Non-qualified Stock Options.
- (iii) Notwithstanding the foregoing, a Participant to whom Dividend Equivalents or dividend units have been awarded shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt.
- (c) Additional Restrictions. Subject to adjustment as provided in Section 4(b), the following additional maximums are imposed under the Plan:

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- (i) The maximum number of Shares that may be issued for Options intended to be Incentive Stock Options shall be 900,000 Shares.
 - (ii) The maximum number of Shares that may be covered by Awards granted to any one individual shall be 300,000 Shares during any calendar year.
 - (iii) No more than 100,000 Shares may be subject to Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards, and no more than 300,000 Shares may be subject to Options and Stock Appreciation Rights, granted to any one individual during any calendar-year period (regardless of when such Shares are deliverable) for any Award intended to be “performance-based compensation” (as that term is used for purposes of Code Section 162(m)).
 - (iv) No more than 450,000 Shares may be subject to Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards.

Section 5. Eligibility .

Any Employee, including any officer or employee-director, of Olin or an Affiliate shall be eligible to be designated a Participant, subject to any restrictions imposed by applicable law. An Award may be granted to an Employee prior to the date the Employee first performs services for the Company or the Affiliate, provided that such Awards shall not become vested prior to the date the Employee first performs such services.

Section 6. Awards .

- (a) Options . The Committee is authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine:
 - (i) Exercise Price . The per Share exercise price shall be determined by the Committee; provided, however, that such exercise price shall not be less than the Fair Market Value of a Share on the date of the Option grant; provided that, if a Non-qualified Option is granted in connection with the recipient’s hiring, promotion or similar event, the exercise price may be not less than the Fair Market Value of the Shares on the date on which the recipient is hired or promoted (or the similar event occurs), if the Option grant occurs not more than 90 days after the date of such event.
 - (ii) Option Term . The term of each Option shall be fixed by the Committee, provided that in no event shall the term of an Option be more than a period of ten years from the date of its grant.
 - (iii) Exercise . The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms in which payment of the exercise price with respect thereto may be made.
 - (iv) Incentive Stock Options . The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any

successor provision thereto, and any regulations promulgated thereunder. Without limiting the preceding sentence, the aggregate Fair Market Value (determined at the time an option is granted) of Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under the Plan and any other plan of the Participant's employer corporation and its parent and subsidiary corporations providing for Options) shall not exceed such dollar limitation as shall be applicable to Incentive Stock Options under Section 422 of the Code or a successor provision.

- (v) Termination of Employment. In the event the employment of a Participant to whom an Option has been granted under the Plan shall be terminated (other than by reason of the Participant's death or disability), such Option may, subject to the provisions of the next to last sentence of Section 6(a)(vi) be exercised (to the extent of the number of shares that the Participant was entitled to purchase under such Option at the termination of employment) at any time within three months after such termination (which three-month period may be extended by the Committee), but in no event shall such three-month period or any such extension permit the exercise of an Option after the expiration date of the Option. Options granted under the Plan shall not be affected by any change of duties or position so long as the Participant continues to be an Employee.
- (vi) Agreement to Service. Each Participant receiving an Option shall, by accepting the Option, agree that he or she will, during employment, devote his or her entire time, energy and skill to the service of Olin and the promotion of its interests, subject to vacations, sick leave and other absences in accordance with the regular policies of, or other reasons satisfactory to, Olin and its Affiliates. Such employment shall (subject to the terms of any contract between Olin or any such Affiliate and such Participant) be at the pleasure of Olin or such Affiliate, and shall be at such compensation as Olin or such Affiliate shall determine from time to time. Upon termination of such Participant's employment either (a) for cause, or (b) voluntarily on the part of the Participant and without the written consent of Olin, any Awards held by him or her under the Plan, to the extent not theretofore exercised or vested, shall forthwith terminate. Retirement pursuant to any retirement plan of Olin or of an Affiliate shall be deemed to be a termination of employment with Olin's consent.
- (vii) Death. If a Participant to whom an Option has been granted shall die while an Employee, such Option may be exercised by the Participant's executors, administrators, personal representatives or distributees or permitted transferees at any time within a period of one year after the Participant's death (which period may be extended by the Committee), regardless of whether or not such Option had vested at the time of death. If a Participant to whom an Option has been granted shall die after his or her employment has terminated but while the Option remains exercisable, the Option may be exercised by the persons described above at any time within the longer of (a) the period that the Participant could have exercised the Option had he or she not died, or (b) one year after the date of death (which period may be extended by the Committee), but only to the extent the Option was exercisable at the time of the Participant's death.

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- (viii) Disability. If a Participant to whom an Option has been granted shall become totally and permanently disabled, as that term is defined in Section 22(e)(3) of the Code (or a successor provision), and the Participant's employment is terminated as a result, such option may be exercised by the Participant or permitted transferee within one year after the date of termination of employment, to the extent that the Option was exercisable at the time of termination of employment.
- (b) Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants which may but need not relate to a specific Option granted under the Plan. Subject to the terms of the Plan and any applicable Award Agreement, each Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, up to the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the exercise price of the right as specified by the Committee, which shall not be less than the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the exercise price, term, methods of exercise, methods of payment or settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee, but in no event shall the term of a Stock Appreciation Right exceed a period of ten years from the date of its grant.
- (c) Other Stock Awards.
- (i) Issuance. The Committee is authorized to grant Awards of Restricted Stock, Restricted Stock Units and Performance Shares to Participants.
- (ii) Dividends and Dividend Equivalents. An Award (including without limitation an Option or Stock Appreciation Right) may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Shares subject to the Award (both before and after the Shares subject to the Award are earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Shares as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in Shares, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Share equivalents.
- (iii) Restrictions. Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee may impose (including, without limitation, any limitation on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which may lapse separately or in combination at such time or times, as the Committee may deem appropriate, provided that in order for a Participant to vest in Awards of Restricted Stock, the Participant must remain in the employ of Olin or an Affiliate for a period of not less than one (1) year after the grant of a performance-based Restricted Stock Award, and not less than three (3) years after the grant of a Restricted Stock Award that is not performance-based, in each case, subject to Section 9 hereof and subject to relief for specified reasons as may be approved by the Committee. Notwithstanding the foregoing, the Committee may grant Awards for

Restricted Stock for an aggregate number of Shares not to exceed 45,000 which vest in less than one (1) year after the date of grant, including immediate vesting.

- (iv) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment for any reason during the applicable restriction period, all Shares of Restricted Stock still subject to restriction shall be forfeited and reacquired by Olin.
- (v) Performance-Based Awards. The Committee may designate whether any such Awards being granted to a Participant is intended to be “performance-based compensation” as that term is used in Section 162(m) of the Code. Any Award so designated shall be conditioned on the achievement of one or more performance measures. Performance measures that may be used by the Committee for such purpose shall be based on one or more of the following: Pre-Tax Profit and/or Earnings Per Share, Cash Flow, Economic Value Added, ROE, Return on Capital or RONA. For Awards intended to be “performance-based compensation,” the grant of the Awards and the establishment of the performance measures shall be made during the period required under Code Section 162(m).
- (d) Forms of Payment Under Awards. Subject to the terms of the Plan and of any applicable Award agreement, payments to be made by Olin or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Notwithstanding the foregoing, the payment of the exercise price of an Option shall be subject to the following:
 - (i) Subject to the following provisions of this subsection the full exercise price for Shares purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described below, payment may be made as soon as practicable after the exercise).
 - (ii) The exercise price shall be payable in cash or by tendering, by either actual delivery of Shares or by attestation, Shares acceptable to the Committee, which Shares were either acquired at least six months before the exercise date or purchased on the open market, and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.
 - (iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired upon exercise of an Option and remit to Olin a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.
- (e) Limits on Transfer of Awards. No Award (other than Released Securities) or right thereunder shall be assignable or transferable by a Participant, other than:

- (i) by will or the laws of descent and distribution (or, in the case of an Award of Restricted Securities, to Olin); or
- (ii) in the case of Awards other than Incentive Stock Options, to the extent permitted under the terms of the Award, by a gift or domestic relations order to any Family Member, to a trust in which the Participant and/or his or her Family Members hold more than 50% of the beneficial interest, to a foundation in which the Participant and/or Family Members control the management of assets, and any other entity in which the Participant and/or his or her Family Members own more than 50% of the voting interests.

For purposes of this provision, a transfer to an entity in exchange for an interest in that entity shall constitute a gift.

(f) General.

- (i) No Cash Consideration for Awards. Participants shall not be required to make any cash payment for the granting of an Award except for such minimum consideration as may be required by applicable law.
- (ii) Awards May Be Granted Separately or Together. Awards may be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award or benefit granted under any other plan or arrangement of Olin or any Affiliate, or as payment for or to assure payment of an award or benefit granted under any such other such plan or arrangement, provided that the purchase or exercise price under an Option or other Award encompassing the right to purchase Shares shall not be reduced by the cancellation of such Award and the substitution of another Award. Awards so granted may be granted either at the same time as or at a different time from the grant of such other Awards or awards or benefits.
- (iii) General Restrictions. Delivery of Shares or other amounts under the Plan shall be subject to the following:
 - (A) Notwithstanding any other provision of the Plan, Olin shall have no liability to deliver any Shares under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.
 - (B) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of Shares the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.
- (iv) Agreement With Olin. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant may be reflected

in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not, require the Participant to sign a copy of such document, (an "Award Agreement" regardless of whether any Participant signature is required).

- (v) Beneficiary. A Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries with respect to any Award to exercise the rights of the Participant, and to receive any property distributable, upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable, during the Participant's lifetime, only by the Participant or a permitted transferee, or, if permissible under applicable law by the Participant's guardian or legal representative.
- (vi) No Lien or Security Interest. No Award (other than Released Securities), and no right under any such Award, may be pledged, attached or otherwise encumbered other than in favor of Olin, and any purported pledge, attachment, or encumbrance thereof other than in favor of Olin shall be void and unenforceable against Olin or any Affiliate.
- (vii) No Rights to Awards. No Employee, Participant or other Person shall have any claim to be granted an Award, and there is no obligation for uniformity of treatment of Employees, Participants or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument accepting the Award required by the Committee and delivered a fully executed copy thereof to Olin, and otherwise complied with the then applicable terms and conditions.
- (viii) Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and, except as otherwise provided by the Committee, the delivery of any Shares or other benefits under the Plan to a Participant are conditioned on satisfaction of the applicable withholding requirements. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of Shares which the Participant already owns, or through the surrender of Shares to which the Participant is otherwise entitled under the Plan.
- (ix) Other Compensation Arrangements. Nothing contained in the Plan shall prevent Olin or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (x) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of Olin or any Affiliate. Nothing in the Plan or any Award Agreement shall limit the right of Olin or an Affiliate at any time to dismiss a Participant from employment, free from any liability or any claim under the Plan or the Award Agreement.

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- (xi) Governing Law . The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Connecticut, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan or any award Agreement to the substantive law of another jurisdiction.
 - (xii) Severability . If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable, or as to any Person or Award, or would disqualify the Plan or any Award, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such Person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.
 - (xiii) No Trust or Fund Created . Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Olin or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from Olin or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Olin or any Affiliate.
 - (xiv) No Fractional Shares . No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.
 - (xv) Share Certificates . All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
 - (xvi) Conflict with Plan . In the event of any inconsistency or conflict between the terms of the Plan and an Award Agreement, the terms of the Plan shall govern.

Section 7. Amendment and Termination .

- (a) Amendments to the Plan . The Board or the Committee may amend, suspend, discontinue or terminate the Plan, including, without limitation, any amendment, suspension, discontinuation or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award theretofore granted, without the consent of any shareholder, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the

approval of the shareholders of Olin, no such amendment, suspension, discontinuation or termination shall be made that would:

- (i) increase the total number of Shares available for Awards under the Plan or the total number of Shares subject to one or more categories of Awards pursuant to Section 4(c), in either case except as provided in Section 4(b);
- (ii) reduce the minimum Option exercise price, except as provided in Section 4(b); or
- (iii) permit repricing of Options prohibited by Section 6(f)(ii); and

provided further that no amendment, suspension, discontinuation or termination (i) that would impair the rights of such Participant, holder or beneficiary shall be made with respect to Section 9 of the Plan after a Change in Control, as defined therein and (ii) may increase the amount of payment of any Award to any Participant.

- (b) Amendments to Awards. The Committee may waive any conditions or rights with respect to, or amend, alter, suspend, discontinue, or terminate, any unexercised Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, provided that no amendment, alteration, suspension, discontinuation or termination of an Award that would impair the rights of such Participant, holder or beneficiary shall be made after a Change in Control, as defined in Section 9; provided further that the Committee may not increase the payment of any Award granted any Participant.
- (c) Adjustments of Awards Upon Certain Acquisitions. In the event Olin or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another Person, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate.
- (d) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting Olin, any Affiliate, or the financial statements of Olin or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that statements of Olin or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits to be made available under the Plan.

Section 8. Additional Conditions to Enjoyment of Awards.

- (a) The Committee may cancel any unexpired, unpaid or deferred Awards if at any time the Participant is not in compliance with all applicable provisions of the Award Agreement, the Plan and the following conditions:

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- (i) A Participant shall not render services for any Person or engage, directly or indirectly, in any business which, in the judgment of the Committee is or becomes competitive with Olin or any Affiliate, or which is or becomes otherwise prejudicial to or in conflict with the interests of Olin or any Affiliate. Such judgment shall be based on the Participant's positions and responsibilities while employed by Olin or an Affiliate, the Participant's post employment responsibilities and position with the other Person or business, the extent of past, current and potential competition or conflict between Olin or an Affiliate and the other Person or business, the effect on customers, suppliers and competitors of the Participant's assuming the post employment position, the guidelines established in the then current edition of Olin's Standards of Ethical Business Practices, and such other considerations as are deemed relevant given the applicable facts and circumstances. The Participant shall be free, however, to purchase as an investment or otherwise, stock or other securities of such Person or business so long as they are listed upon a recognized securities exchange or traded over the counter, and such investment does not represent a substantial investment to the Participant or a greater than 1% equity interest in the organization or business.
 - (ii) Participant shall not, without prior written authorization from Olin, disclose to anyone outside Olin, or use in other than Olin's business, any secret or confidential information, knowledge or data, relating to the business of Olin or an Affiliate in violation of his or her agreement with Olin or the Affiliate.
 - (iii) A Participant, pursuant to his or her agreement with Olin or an Affiliate, shall disclose promptly and assign to Olin or the Affiliate all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by Olin or the Affiliate, relating in any manner to the actual or anticipated business, research or development work of Olin or the Affiliate and shall do anything reasonably necessary to enable Olin or the Affiliate to secure a patent where appropriate in the United States and in foreign countries.
- (b) Notwithstanding any other provision of the Plan, the Committee in its sole discretion may cancel any Award at any time prior to the exercise thereof, if the employment of the Participant shall be terminated, other than by reason of death, unless the conditions in this Section 8 are met.
 - (c) Failure to comply with the conditions of this Section 8 prior to, or during the six months after, any exercise, payment or delivery pursuant to an Award shall cause the exercise, payment or delivery to be rescinded. Olin shall notify the Participant in writing of any such rescission within two years after such exercise payment or delivery and within 10 days after receiving such notice, the Participant shall pay to Olin the amount of any gain realized or payment received as a result of the exercise, payment or delivery rescinded. Such payment shall be made either in cash or by returning to Olin the number of Shares that the Participant received in connection with the rescinded exercise, payment or delivery.
 - (d) Upon exercise, payment or delivery pursuant to an Award, the Committee may require the Participant to acknowledge the terms and conditions of the Plan and to certify on a form acceptable to the Committee, that he or she is in compliance with the terms and conditions of the Plan.

- (e) Nothing herein shall be interpreted to limit the obligations of a Participant under his or her employee agreement or any other agreement with Olin.

Section 9. Change in Control.

- (a) Except as the Board or the Committee may expressly provide otherwise prior to a Change in Control of Olin (as defined below) in the event of a Change in Control of Olin:
 - (i) all Options and Stock Appreciation Rights then outstanding shall become immediately and fully exercisable, notwithstanding any provision therein for the exercise in installments;
 - (ii) all restrictions and conditions of all Restricted Stock and Restricted Stock Units then outstanding shall be deemed satisfied as of the date of the Change in Control; and
 - (iii) all Performance Share Awards shall become vested, deemed earned in full and promptly paid to the Participants, cash units in cash and phantom stock units in the Shares represented thereby or such other securities, property or cash as may be deliverable in respect of Shares as a result of a Change in Control, without regard to payment schedules and notwithstanding that the applicable performance cycle or retention cycle shall not have been completed.
- (b) “Change in Control” means the occurrence of any one of the following events:
 - (i) individuals who, on November 1, 2002, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided that any individual becoming a director subsequent to November 1, 2002, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin in which such individual is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall be deemed to be an Incumbent Director;
 - (ii) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of Olin’s then outstanding securities eligible to vote for the election of the Board (the “Olin Voting Securities”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the

acquisition of Olin Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

- (iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a “Reorganization”) or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no Person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a “Non-Qualifying Transaction”);
- (iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

Notwithstanding the foregoing, the acquisition by any Person of beneficial ownership of 20% or more of the combined voting power of Olin Voting Securities solely as a result of the acquisition of Olin Voting Securities by Olin which reduces the number of Olin Voting Securities outstanding shall be deemed not to result in a Change in Control; provided, however, that if such Person subsequently becomes the beneficial owner of additional Olin Voting Securities that increases the percentage of outstanding Olin Voting Securities beneficially owned by such Person, a Change in Control of Olin shall then be deemed to occur.

- (c) In the event that a Participant participates or agrees to participate by loan or equity investment (other than through ownership of less than 1% of publicly traded securities of another

company) in a transaction ("acquisition") which would result in an event described in Section 9(b)(i) or (ii), the Participant must promptly disclose such participation or agreement to Olin. If the Participant so participates or agrees to participate, no benefits or payments due under the Plan or by virtue of the Change in Control provisions contained in any compensation or benefit plan of Olin will be paid to the Participant until the acquiring group in which the Participant participates or agrees to participate has completed the acquisition. In the event the Participant so participates or agrees to participate and fails to disclose his participation or agreement, the Participant will not be entitled to any benefits or payments under the Plan or by virtue of Change in Control provisions in any Olin compensation or benefit plan, notwithstanding any of the terms hereof or thereof.

- (d) Anything in the Plan to the contrary notwithstanding, in the event that it shall be determined that any benefit, payment or distribution by Olin to or for the benefit of the Participant (whether paid or payable or distributed or distributable) pursuant to the terms of the Plan but determined without regard to any additional payments required under this Section 9(d), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the Participant shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount equal to (i) the amount of the excise tax imposed on the Participant in respect of the benefits or payments received pursuant to the Plan (the "Excise Tax") plus (ii) all federal, state and local income, employment and excise taxes (including any interest or penalties imposed with respect to such taxes) imposed on the Participant in respect of the Gross-Up Payment, such that after payments of all such taxes (including any applicable interest or penalties) on the Gross-Up Payment, the Participant retains a portion of the Gross-Up Payment equal to the Excise Tax, provided that, if the Participant receives a Gross-Up Payment with respect to benefits or payments received under the Plan pursuant to another benefit or compensation plan or agreement, the Gross-Up Payment under this Section 9(d) shall be reduced by the amount of such other Gross-Up Payments paid in respect to the Excise Tax due as the result of the benefits or payments received under the Plan.

Section 10. Effective Date and Term.

Subject to the approval of Olin's shareholders at the 2000 annual shareholders meeting the Plan shall be effective as of January 27, 2000 (the "Effective Date"); provided, however, that to the extent that Awards are granted under the Plan prior to its approval by shareholders, the Awards shall be contingent on approval of the Plan by the shareholders of Olin at such annual meeting. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided; however, that, to the extent required by the Code, no Incentive Stock Option may be granted under the Plan on a date that is more than ten years from the date the Plan is adopted.

OLIN CORPORATION
2003 LONG TERM INCENTIVE PLAN

Section 1. Purpose.

The general purposes of the Olin Corporation 2003 Long Term Incentive Plan (the “Plan”) are to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further identify Participants’ interests with those of other shareholders of Olin Corporation (together with any successor, “Olin”) through compensation that is based on Olin’s common stock; and thereby promote the long-term financial interest of Olin and its Affiliates, including growth in the value of Olin’s equity and enhancement of long-term shareholder return.

Section 2. Definitions.

As used in the Plan:

- (a) “Affiliate” means any corporation, partnership, joint venture or other entity during any period in which Olin owns, directly or indirectly, at least 50% of the total voting or profits interest.
- (b) “Award” means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share or Dividend Equivalent granted under the Plan.
- (c) “Award Agreement” means any written agreement or other instrument or document evidencing an Award granted under the Plan. The terms of any plan or guideline adopted by the Board or the Committee and applicable to an Award shall be deemed incorporated in and a part of the related Award Agreement.
- (d) “Board” means the Board of Directors of Olin.
- (e) “Code” means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.
- (f) “Committee” means a committee of the Board designated by the Board to administer the Plan, each member of which is an “outside director” for purposes of Section 162(m) of the Code and a “non-employee director” for the purpose of Rule 16b-3, and, to the extent the Committee delegates authority to one or more individuals in accordance with the Plan, such individual(s).
- (g) “Dividend Equivalent” means any right granted under Section 6(c)(ii) of the Plan.

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- (h) “Employee” means any employee of Olin or of an Affiliate.
 - (i) “Exchange Act” means the Securities Exchange Act of 1934.
 - (j) “Fair Market Value” means, with respect to shares of Olin common stock, the mean of the high and low per share sales prices of such common stock as reported on the consolidated transaction reporting system for New York Stock Exchange issues as of the relevant date, or the last preceding trading date, if such Shares were not traded on such date, and, with respect to any other property (including, without limitation, securities other than Shares), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.
 - (k) “Family Member” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationship, or any person sharing the Participant’s household, other than a tenant or employee.
 - (l) “Incentive Stock Option” means an option to purchase Shares granted under the Plan that is intended to meet the requirements of Section 422 of the Code.
 - (m) “Incumbent Directors” means the individuals who, on the date this Plan is approved by shareholders, constitute the Board.
 - (n) “Non-Qualified Stock Option” means an option to purchase Shares granted under the Plan that is not intended to be an Incentive Stock Option.
 - (o) “Olin Voting Securities” means Olin’s then outstanding securities eligible to vote for the election of the Board.
 - (p) “Option” means an Incentive Stock Option or a Non-Qualified Stock Option.
 - (q) “Participant” means an Employee granted an Award under the Plan.
 - (r) “Performance Share” means any grant of a right to receive Shares which is contingent on the achievement of performance or other objectives during a specified period.
 - (s) “Person” has the meaning of such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.
 - (t) “Released Securities” means securities that were Restricted Securities with respect to which all applicable restrictions imposed under the terms of the relevant Award have expired, lapsed or been waived or satisfied.

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- (u) “Restricted Securities” means Awards of Restricted Stock or other Awards under which outstanding Shares are held subject to certain restrictions.
 - (v) “Restricted Stock” means any grant of Shares, and “Restricted Stock Unit” means the grant of a right to receive Shares in the future, with such Shares or right to future delivery of Shares subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by the Committee.
 - (w) “Rule 16b-3” means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule.
 - (x) “Shares” means the common stock of Olin and such other securities or property as may become the subject of Awards pursuant to an adjustment made under Section 4(b) of the Plan.
 - (y) “Stock Appreciation Right” or “SAR” means any such right granted under Section 6(b) of the Plan.

Section 3. Administration.

- (a) Powers of Committee. The Plan shall be administered by the Committee which shall have full power and authority to: (i) designate Participants; (ii) determine the Awards to be granted to Participants; (iii) determine the number of Shares (or securities convertible into Shares) to be covered by Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, substituted, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, substituted, forfeited or suspended, provided that no such action will result in repricing of Options prohibited by Section 3(e); (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the Participant or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and guidelines and appoint such agents as it shall deem appropriate for the administration of the Plan; and (ix) make any other determination and take any other action that it deems necessary or desirable for such administration.
- (b) Committee Discretion. All designations, determinations, interpretations and other decisions with respect to the Plan or any Award shall be within the sole discretion

of the Committee and shall be final, conclusive and binding upon all Persons, including Olin, any Affiliate, any Participants, any holder or beneficiary of any Award, any shareholder and any employee of Olin or of any Affiliate. The Committee's powers include the adoption of modifications, amendments, procedures, subplans and the like as are necessary to comply with provisions of the laws of other countries in which Olin or an Affiliate may operate in order to assure the viability of Awards granted under the Plan and to enable Participants employed in such other countries to receive benefits under the Plan and such laws, provided that no such action results in repricing of Options prohibited by Section 3(e).

- (c) Board Authority. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.
- (d) Delegation. Notwithstanding any provision of the Plan to the contrary, except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may delegate to one or more officers or managers of Olin or any Affiliate, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights or conditions with respect to, alter, discontinue, suspend, or terminate Awards held by, Employees who are not officers or directors of Olin for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, provided that no such action shall result in repricing of Options prohibited by Section 3(e).
- (e) Prohibition on Option Repricing. Notwithstanding any other provision of the Plan, neither the Board nor the Committee may reprice, replace or regrant any Option granted under the Plan or any other plan of Olin, (i) through cancellation and replacement or regrant with lower priced options or (ii) by lowering the option exercise price of a previously granted award, without the prior approval of Olin's shareholders.

Section 4. Shares Available for Awards.

- (a) Shares Available. Subject to adjustment as provided in Section 4(b) of the Plan:
 - (i) The aggregate number of Shares available for granting Awards under the Plan shall be 1,700,000.
 - (ii) For purposes of this Section 4, other than Sections 4(c)(ii) and 4(c)(iii):
 - (A) If any Shares covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or if the Shares are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding

obligation, such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan; and

- (B) If the exercise price of any Option granted under the Plan is satisfied by tendering Shares (by either actual delivery or by attestation), only the number of Shares issued net of the Shares tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.
- (b) Adjustments. In the event of any change in the Shares by reason of stock dividends, stock splits, recapitalization, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distributions to shareholders other than cash dividends, (i) the numbers, class and prices of Shares covered by outstanding Awards under the Plan (provided that no such adjustment shall result in repricing of Options prohibited by Section 3(e) of the Plan), (ii) the aggregate number and class of Shares available under the Plan, and (iii) the numbers and class of Shares that may be the subject of Awards pursuant to Section 4(c), shall be adjusted by the Committee, whose determination shall be conclusive.
- (i) Without limiting the foregoing, in the event of any split-up, split-off, spin-off or other distribution to shareholders of shares representing a part of Olin's business, properties and assets, the Committee may modify an outstanding Award so that such Award shall thereafter relate to Shares of Olin and shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off, spun-off or otherwise distributed to shareholders of Olin in the same ratio in which holders of the Shares became entitled to receive shares of capital stock of the corporation owning the business, properties and assets so split-up, split-off or spun-off or otherwise distributed, provided that no such action results in repricing of Options prohibited by Section 3(e).
- (ii) With respect to Awards of Incentive Stock Options, no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422 of the Code or any successor provision thereto, unless the holder of such Award of Incentive Stock Options agrees to convert such options to Non-qualified Stock Options.
- (iii) Notwithstanding the foregoing, a Participant to whom Dividend Equivalents or dividend units have been awarded shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt.
- (c) Additional Restrictions. Subject to adjustment as provided in Section 4(b), the following additional maximums are imposed under the Plan:

- (i) The maximum number of Shares that may be issued for Options intended to be Incentive Stock Options shall be 500,000 Shares.
- (ii) For any Award intended to be “performance-based compensation” (as that term is used for purposes of Code Section 162(m)), no more than 300,000 Shares may be subject to Options and Stock Appreciation Rights granted to any one individual during any calendar-year period (regardless of when such Shares are deliverable).
- (iii) For any Award intended to be “performance-based compensation” (as that term is used for purposes of Code Section 162(m)) other than an Option or Stock Appreciation Right payable in Shares, no more than 150,000 Shares plus no more than \$1,000,000 may be subject to such other Awards granted to any one individual during any calendar-year period (regardless of when such Shares or cash are deliverable).
- (iv) No more than 800,000 Shares may be issued pursuant to Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards under this Plan.

Section 5. Eligibility.

Any Employee, including any officer or employee-director, of Olin or an Affiliate shall be eligible to be designated a Participant, subject to any restrictions imposed by applicable law. An Award may be granted to an Employee prior to the date the Employee first performs services for the Company or the Affiliate, provided that such Awards shall not become vested prior to the date the Employee first performs such services.

Section 6. Awards.

- (a) Options. The Committee is authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine:
 - (i) Exercise Price. The per Share exercise price shall be determined by the Committee, provided that such exercise price shall not be less than the Fair Market Value of a Share on the date of the Option grant; provided that, if a Non-qualified Option is granted in connection with the recipient’s hiring, promotion or similar event, the exercise price may be not less than the Fair Market Value of the Shares on the date on which the recipient is hired or promoted (or the similar event occurs), if the Option grant occurs not more than 90 days after the date of such event.

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- (ii) Option Term . The term of each Option shall be fixed by the Committee, provided that in no event shall the term of an Option be more than a period of ten years from the date of its grant.
 - (iii) Exercise . The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms in which payment of the exercise price with respect thereto may be made.
 - (iv) Incentive Stock Options . The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. Without limiting the preceding sentence, the aggregate Fair Market Value (determined at the time an option is granted) of Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under the Plan and any other plan of the Participant's employer corporation and its parent and subsidiary corporations providing for Options) shall not exceed such dollar limitation as shall be applicable to Incentive Stock Options under Section 422 of the Code or a successor provision.
 - (v) Termination of Employment . In the event the employment of a Participant to whom an Option has been granted under the Plan shall be terminated (other than by reason of the Participant's death or disability), such Option may, subject to the provisions of the next to last sentence of Section 6(a)(vi) be exercised (to the extent of the number of shares that the Participant was entitled to purchase under such Option at the termination of employment) at any time within three months after such termination (which three-month period may be extended by the Committee), but in no event shall such three-month period or any such extension permit the exercise of an Option after the expiration date of the Option. Options granted under the Plan shall not be affected by any change of duties or position so long as the Participant continues to be an Employee.
 - (vi) Agreement to Service . Each Participant receiving an Option shall, by accepting the Option, agree that he or she will, during employment, devote his or her entire time, energy and skill to the service of Olin and the promotion of its interests, subject to vacations, sick leave and other absences in accordance with the regular policies of, or other reasons satisfactory to, Olin and its Affiliates. Such employment shall (subject to the terms of any contract between Olin or any such Affiliate and such Participant) be at the pleasure of Olin or such Affiliate, and shall be at such compensation as Olin or such Affiliate shall determine from time to time. Upon termination of such Participant's employment either (a) for cause, or (b) voluntarily on the part of the Participant and without the written consent of Olin, any Awards held by him or her under the Plan, to

the extent not theretofore exercised or vested, shall forthwith terminate. Retirement pursuant to any retirement plan of Olin or of an Affiliate shall be deemed to be a termination of employment with Olin's consent.

- (vii) Death. If a Participant to whom an Option has been granted shall die while an Employee, such Option may be exercised by the Participant's executors, administrators, personal representatives or distributees or permitted transferees at any time within a period of one year after the Participant's death (which period may be extended by the Committee), regardless of whether or not such Option had vested at the time of death. If a Participant to whom an Option has been granted shall die after his or her employment has terminated but while the Option remains exercisable, the Option may be exercised by the persons described above at any time within the longer of (a) the period that the Participant could have exercised the Option had he or she not died, or (b) one year after the date of death (which period may be extended by the Committee), but only to the extent the Option was exercisable at the time of the Participant's death.
- (viii) Disability. If a Participant to whom an Option has been granted shall become totally and permanently disabled, as that term is defined in Section 22(e)(3) of the Code (or a successor provision), and the Participant's employment is terminated as a result, such option may be exercised by the Participant or permitted transferee within one year after the date of termination of employment, to the extent that the Option was exercisable at the time of termination of employment.
- (b) Stock Appreciation Rights. The Committee is authorized to grant Stock Appreciation Rights to Participants which may but need not relate to a specific Option granted under the Plan. Subject to the terms of the Plan and any applicable Award Agreement, each Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, up to the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the exercise price of the right as specified by the Committee, which shall not be less than the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the exercise price, term, methods of exercise, methods of payment or settlement, including whether such SAR shall be paid in cash or Shares, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee, but in no event shall the term of a Stock Appreciation Right exceed a period of ten years from the date of its grant.
- (c) Other Stock Awards.
 - (i) Issuance. The Committee is authorized to grant Awards of Restricted Stock, Restricted Stock Units and Performance Shares to Participants.

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- (ii) Dividends and Dividend Equivalents . An Award (including without limitation an Option or Stock Appreciation Right) may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Shares subject to the Award (both before and after the Shares subject to the Award are earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Shares as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in Shares, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Share equivalents.
- (iii) Restrictions . Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee may impose (including, without limitation, any limitation on the right to vote Restricted Stock or the right to receive any dividend or other right or property), which may lapse separately or in combination at such time or times, as the Committee may deem appropriate, provided that in order for a Participant to vest in Awards of Restricted Stock, the Participant must remain in the employ of Olin or an Affiliate for a period of not less than one (1) year after the grant of a Restricted Stock Award that includes one or more performance criteria, and not less than three (3) years after the grant of a Restricted Stock Award that does not include one or more performance criteria, in each case subject to Section 9 hereof and subject to relief for specified reasons as may be approved by the Committee. Notwithstanding the foregoing, the Committee may grant Awards for Restricted Stock for an aggregate number of Shares not to exceed 85,000 which vest in less than one (1) year after the date of grant, including immediate vesting, with or without any performance criteria.
- (iv) Forfeiture . Except as otherwise determined by the Committee, upon termination of employment for any reason during the applicable restriction period, all Shares of Restricted Stock still subject to restriction shall be forfeited and reacquired by Olin.
- (v) Performance-Based Awards . The Committee may designate whether any such Awards being granted to a Participant is intended to be “performance-based compensation” as that term is used in Section 162(m) of the Code. Any Award so designated shall be conditioned on the achievement of one or more performance measures. Performance measures that may be used by the Committee for such purpose shall be based on one or more of the following criteria, on an absolute or a relative basis:
- (A) cash flow,

- (B) earnings per share,
- (C) EBITDA,
- (D) Economic Value Added/EVA[®],
- (E) net income,
- (F) operating profit,
- (G) pre-tax profit,
- (H) return on capital,
- (I) return on equity,
- (J) return on net assets,
- (K) revenues, and
- (L) total shareholder return.

For Awards intended to be “performance-based compensation,” the grant of the Awards and the establishment of the performance measures shall be made during the period required under Code Section 162(m).

- (d) **Forms of Payment Under Awards.** Subject to the terms of the Plan and of any applicable Award agreement, payments to be made by Olin or an Affiliate upon the grant, exercise, or payment of an Award may be made in such form or forms as the Committee shall determine, including, without limitation, cash, Shares, other securities, other Awards, or other property or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Notwithstanding the foregoing, the payment of the exercise price of an Option shall be subject to the following:
- (i) Subject to the following provisions of this subsection the full exercise price for Shares purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described below, payment may be made as soon as practicable after the exercise).
 - (ii) The exercise price shall be payable in cash or by tendering, by either actual delivery of Shares or by attestation, Shares acceptable to the Committee, which Shares were either acquired at least six months before the exercise date or purchased on the open market, and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.
 - (iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell Shares (or a sufficient portion of the Shares) acquired upon exercise of an Option and remit to Olin a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

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- (e) Limits on Transfer of Awards . No Award (other than Released Securities) or right thereunder shall be assignable or transferable by a Participant, other than:
- (i) by will or the laws of descent and distribution (or, in the case of an Award of Restricted Securities, to Olin); or
 - (ii) in the case of Awards other than Incentive Stock Options, to the extent permitted under the terms of the Award, by a gift or domestic relations order to any Family Member, to a trust in which the Participant and/or his or her Family Members hold more than 50% of the beneficial interest, to a foundation in which the Participant and/or Family Members control the management of assets, and any other entity in which the Participant and/or his or her Family Members own more than 50% of the voting interests.

For purposes of this provision, a transfer to an entity in exchange for an interest in that entity shall constitute a gift.

(f) General .

- (i) No Cash Consideration for Awards . Participants shall not be required to make any cash payment for the granting of an Award except for such minimum consideration as may be required by applicable law.
- (ii) Awards May Be Granted Separately or Together . Awards may be granted either alone or in addition to, in tandem with, or in substitution for any other Award or any award or benefit granted under any other plan or arrangement of Olin or any Affiliate, or as payment for or to assure payment of an award or benefit granted under any such other such plan or arrangement, provided that the purchase or exercise price under an Option or other Award encompassing the right to purchase Shares shall not be reduced by the cancellation of such Award and the substitution of another Award. Awards so granted may be granted either at the same time as or at a different time from the grant of such other Awards or awards or benefits.
- (iii) General Restrictions . Delivery of Shares or other amounts under the Plan shall be subject to the following:
 - (A) Notwithstanding any other provision of the Plan, Olin shall have no liability to deliver any Shares under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

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- (B) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of Shares the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.
- (iv) Agreement With Olin . An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant may be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not, require the Participant to sign a copy of such document, (an “Award Agreement” regardless of whether any Participant signature is required).
- (v) Beneficiary . A Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries with respect to any Award to exercise the rights of the Participant, and to receive any property distributable, upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable, during the Participant’s lifetime, only by the Participant or a permitted transferee, or, if permissible under applicable law by the Participant’s guardian or legal representative.
- (vi) No Lien or Security Interest . No Award (other than Released Securities), and no right under any such Award, may be pledged, attached or otherwise encumbered other than in favor of Olin, and any purported pledge, attachment, or encumbrance thereof other than in favor of Olin shall be void and unenforceable against Olin or any Affiliate.
- (vii) No Rights to Awards . No Employee, Participant or other Person shall have any claim to be granted an Award, and there is no obligation for uniformity of treatment of Employees, Participants or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument accepting the Award required by the Committee and delivered a fully executed copy thereof to Olin, and otherwise complied with the then applicable terms and conditions.
- (viii) Withholding . All distributions under the Plan are subject to withholding of all applicable taxes, and, except as otherwise provided by the Committee, the delivery of any Shares or other benefits under the Plan to a Participant are conditioned on satisfaction of the applicable withholding requirements. The Committee, in its discretion, and subject to such

requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of Shares which the Participant already owns, or through the surrender of Shares to which the Participant is otherwise entitled under the Plan.

- (ix) Other Compensation Arrangements. Nothing contained in the Plan shall prevent Olin or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.
- (x) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of Olin or any Affiliate. Nothing in the Plan or any Award Agreement shall limit the right of Olin or an Affiliate at any time to dismiss a Participant from employment, free from any liability or any claim under the Plan or the Award Agreement.
- (xi) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Connecticut, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan or any award Agreement to the substantive law of another jurisdiction.
- (xii) Severability. If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable, or as to any Person or Award, or would disqualify the Plan or any Award, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such Person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.
- (xiii) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Olin or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from Olin or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Olin or any Affiliate.
- (xiv) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred

in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

- (xv) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
- (xvi) Conflict with Plan. In the event of any inconsistency or conflict between the terms of the Plan and an Award Agreement, the terms of the Plan shall govern.

Section 7. Amendment and Termination.

- (a) Amendments to the Plan. The Board or the Committee may amend, suspend, discontinue or terminate the Plan, including, without limitation, any amendment, suspension, discontinuation or termination that would impair the rights of any Participant, or any other holder or beneficiary of any Award theretofore granted, without the consent of any shareholder, Participant, other holder or beneficiary of an Award, or other Person; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the shareholders of Olin, no such amendment, suspension, discontinuation or termination shall be made that would:
 - (i) increase the total number of Shares available for Awards under the Plan or the total number of Shares subject to one or more categories of Awards pursuant to Section 4(c), in either case except as provided in Section 4(b);
 - (ii) reduce the minimum Option exercise price, except as provided in Section 4(b); or
 - (iii) permit repricing of Options prohibited by Section 3(e); andprovided further that no amendment, suspension, discontinuation or termination (i) that would impair the rights of such Participant, holder or beneficiary shall be made with respect to Section 9 of the Plan after a Change in Control, as defined therein and (ii) may increase the amount of payment of any Award to any Participant.
- (b) Amendments to Awards. The Committee may waive any conditions or rights with respect to, or amend, alter, suspend, discontinue, or terminate, any

unexercised Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, provided that no amendment, alteration, suspension, discontinuation or termination of an Award that would impair the rights of such Participant, holder or beneficiary shall be made after a Change in Control, as defined in Section 9; provided further that the Committee may not increase the payment of any Award granted any Participant.

- (c) Adjustments of Awards Upon Certain Acquisitions . In the event Olin or any Affiliate shall assume outstanding employee awards or the right or obligation to make future such awards in connection with the acquisition of another business or another Person, the Committee may make such adjustments, not inconsistent with the terms of the Plan, in the terms of Awards as it shall deem appropriate.
- (d) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events . The Committee may make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) hereof) affecting Olin, any Affiliate, or the financial statements of Olin or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits to be made available under the Plan.

Section 8. Additional Conditions to Enjoyment of Awards .

- (a) The Committee may cancel any unexpired, unpaid or deferred Awards if at any time the Participant is not in compliance with all applicable provisions of the Award Agreement, the Plan and the following conditions:
 - (i) A Participant shall not render services for any Person or engage, directly or indirectly, in any business which, in the judgment of the Committee is or becomes competitive with Olin or any Affiliate, or which is or becomes otherwise prejudicial to or in conflict with the interests of Olin or any Affiliate. Such judgment shall be based on the Participant's positions and responsibilities while employed by Olin or an Affiliate, the Participant's post employment responsibilities and position with the other Person or business, the extent of past, current and potential competition or conflict between Olin or an Affiliate and the other Person or business, the effect on customers, suppliers and competitors of the Participant's assuming the post employment position, the guidelines established in the then current edition of Olin's Standards of Ethical Business Practices, and such other considerations as are deemed relevant given the applicable facts and circumstances. The Participant shall be free, however, to purchase as an investment or otherwise, stock or other securities of such Person or

business so long as they are listed upon a recognized securities exchange or traded over the counter, and such investment does not represent a substantial investment to the Participant or a greater than 1% equity interest in the organization or business.

- (ii) Participant shall not, without prior written authorization from Olin, disclose to anyone outside Olin, or use in other than Olin's business, any secret or confidential information, knowledge or data, relating to the business of Olin or an Affiliate in violation of his or her agreement with Olin or the Affiliate.
 - (iii) A Participant, pursuant to his or her agreement with Olin or an Affiliate, shall disclose promptly and assign to Olin or the Affiliate all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by Olin or the Affiliate, relating in any manner to the actual or anticipated business, research or development work of Olin or the Affiliate and shall do anything reasonably necessary to enable Olin or the Affiliate to secure a patent where appropriate in the United States and in foreign countries.
- (b) Notwithstanding any other provision of the Plan, the Committee in its sole discretion may cancel any Award at any time prior to the exercise thereof, if the employment of the Participant shall be terminated, other than by reason of death, unless the conditions in this Section 8 are met.
 - (c) Failure to comply with the conditions of this Section 8 prior to, or during the six months after, any exercise, payment or delivery pursuant to an Award shall cause the exercise, payment or delivery to be rescinded. Olin shall notify the Participant in writing of any such rescission within two years after such exercise payment or delivery and within 10 days after receiving such notice, the Participant shall pay to Olin the amount of any gain realized or payment received as a result of the exercise, payment or delivery rescinded. Such payment shall be made either in cash or by returning to Olin the number of Shares that the Participant received in connection with the rescinded exercise, payment or delivery.
 - (d) Upon exercise, payment or delivery pursuant to an Award, the Committee may require the Participant to acknowledge the terms and conditions of the Plan and to certify on a form acceptable to the Committee, that he or she is in compliance with the terms and conditions of the Plan.
 - (e) Nothing herein shall be interpreted to limit the obligations of a Participant under his or her employee agreement or any other agreement with Olin.

Section 9. Change in Control.

-
- (a) Except as the Board or the Committee may expressly provide otherwise prior to a Change in Control of Olin (as defined below) in the event of a Change in Control of Olin:
- (i) all Options and Stock Appreciation Rights then outstanding shall become immediately and fully exercisable, notwithstanding any provision therein for the exercise in installments;
 - (ii) all restrictions and conditions of all Restricted Stock and Restricted Stock Units then outstanding shall be deemed satisfied as of the date of the Change in Control; and
 - (iii) all Performance Share Awards shall become vested, deemed earned in full and promptly paid to the Participants, cash units in cash and phantom stock units in the Shares represented thereby or such other securities, property or cash as may be deliverable in respect of Shares as a result of a Change in Control, without regard to payment schedules and notwithstanding that the applicable performance cycle or retention cycle shall not have been completed.
- (b) A Change in Control of Olin means:
- (i) the Incumbent Directors cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date shareholders approve this Plan, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of Olin in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; provided, however, that no individual initially appointed, elected or nominated as a director of Olin as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;
 - (ii) any Person is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Olin representing 20% or more of the combined voting power of the Olin Voting Securities; provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control if such event results from any of the following: (A) the acquisition of Olin Voting Securities by Olin or any of its subsidiaries, (B) the acquisition of Olin Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by Olin or any of its subsidiaries, (C) the acquisition of Olin Voting Securities by any underwriter temporarily

holding securities pursuant to an offering of such securities, or (D) the acquisition of Olin Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii));

- (iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Olin or any of its subsidiaries (a "Reorganization") or sale or other disposition of all or substantially all of the assets of Olin to an entity that is not an affiliate of Olin (a "Sale"), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization, or the entity which has acquired all or substantially all of the assets of Olin (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Olin Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Olin Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Olin Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity), is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a "Non-Qualifying Transaction"); or

- (iv) the stockholders of Olin approve a plan of complete liquidation or dissolution of Olin.

(c) In the event that a Participant participates or agrees to participate by loan or equity investment (other than through ownership of less than 1% of publicly traded securities of another company) in a transaction ("acquisition") which would result in an

event described in Section 9(b)(i) or (ii), the Participant must promptly disclose such participation or agreement to Olin. If the Participant so participates or agrees to participate, no payments due under this Plan or by virtue of any Change in Control provisions contained in any compensation or benefit plan of Olin will be paid to the Participant until the acquiring group in which the Participant participates or agrees to participate has completed the acquisition. In the event the Participant so participates or agrees to participate and fails to disclose his or her participation or agreement, the Participant will not be entitled to any payments under this Plan or by virtue of Change in Control provisions in any Olin compensation or benefit plan, notwithstanding any of the terms hereof or thereof.

(d) Anything in this Plan to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Participant shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Participant of all taxes (and any interest or penalties imposed with respect to such taxes), including, without limitation, any income and employment taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(e) Subject to the provisions of Section 9(f), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG LLP or such other nationally recognized certified public accounting firm as may be designated by the Participant (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to Olin and the Participant within 15 business days of the receipt of notice from the Participant that there has been a Payment or such earlier time as is requested by Olin. The Accounting Firm shall not determine that no Excise Tax is payable by the Participant unless it delivers to the Participant a written opinion that failure to report the Excise Tax on the Participant's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. All fees and expenses of the Accounting Firm shall be borne solely by Olin. Any Gross-Up Payment, as determined pursuant to this Section 9(e), shall be paid by Olin to the Participant within 5 days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon Olin and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by Olin should have been made (the "Underpayment"), consistent with the calculations required to be made hereunder. In the event Olin exhausts its remedies pursuant to Section 9(f) and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine that amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Olin to or for the benefit of the Participant.

(f) The Participant shall notify Olin in writing of any claims by the Internal Revenue Service that, if successful, would require the payment by Olin of the Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 30 days after the Participant actually receives notice in writing of such claim and shall apprise Olin of the nature of such claim and the date on which such claim is requested to be paid; provided, however, that the failure of the Participant to notify Olin of such claim (or to provide any required information with respect thereto) shall not affect any rights granted to the Participant under this Section 9(f) except to the extent that Olin is materially prejudiced in the defense of such claim as a direct result of such failure. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which the Participant gives such notice to Olin (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Olin notifies the Participant in writing prior to the expiration of such period that Olin desires to contest such claim, the Participant shall:

(i) give Olin any information reasonably requested by Olin relating to such claim;

(ii) take such action in connection with contesting such claim as Olin shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by Olin and reasonably acceptable to the Participant;

(iii) cooperate with Olin in good faith in order to effectively contest such claim; and

(iv) permit Olin to participate in any proceedings relating to such claim;

provided, however, that Olin shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise tax or income or employment tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(f), Olin shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Olin shall determine; *provided, however*, that, if Olin directs the Participant to pay such claim and sue for a refund, Olin shall advance the amount of such payment to the Participant, on an interest-free basis, and shall indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in

connection with such advance; and *provided, further*, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Olin's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (g) If, after the receipt by the Participant of an amount advanced by Olin pursuant to Section 9(f), the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to Olin's complying with the requirements of Section 9(f) promptly pay to Olin the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by Olin pursuant to Section 9(f), a determination is made that the Participant shall not be entitled to any refund with respect to such claim, and Olin does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.
- (h) Notwithstanding any other provision of this Section 9, Olin may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Participant, all or any portion of the Gross-Up Payment, and the Participant hereby consents to such withholding.
- (i) Definitions. The following terms shall have the following meanings for purposes of this Section 9.
 - (A) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.
 - (B) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.

Section 10. Effective Date and Term.

Subject to the approval of Olin's shareholders at the 2003 annual shareholders meeting the Plan shall be effective as of January 30, 2003 (the "Effective Date"); provided, however, that to the extent that Awards are granted under the Plan prior to its approval by shareholders, the Awards shall be contingent on approval of the Plan by the shareholders of Olin at such annual meeting. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided; however, that, to the extent required by the Code, no Incentive Stock Option

may be granted under the Plan on a date that is more than ten years from the date the Plan is adopted.

**Inter Office Memo****TO:** Donald W. Griffin**DATE:** January 31, 2003**FROM:** Peter C. Kosche**CC:****SUBJECT: RETIREMENT ARRANGEMENTS**

Don, I thought it appropriate that I summarize in a memo our final understanding of all the items that have been discussed with respect to your retirement as an active employee of the Company. The purpose is to ensure that we have captured all of the items and have clarity on the terms.

☐ **Board Matters**

- **Retainer:** In lieu of the \$25,000 annual stock retainer and \$5,000 excess retainer, paid to non-employee directors, for 2002 you will receive a \$200,000 cash retainer, for a minimum of one year, effective May 1, 2002 as the non-employee Chairman of the Corporation's Board of Directors. This retainer will be paid quarterly. For the period May-December 2003, you will receive a pro rata portion of the \$25,000 annual stock retainer and a pro rata portion of the \$5,000 excess retainer (paid in cash), paid to other non-employee directors.
- **Meeting Fees:** As a non-employee member of the Board you will receive meeting fees of \$1,500 per meeting for Board meetings and attendance at any Board Committee meeting of which you are a member. The Committee Chair fee for your service as Chair of the Executive Committee for the period April 2002-April 2003 is waived.
- **Annual Stock Grant:** For 2002, you will receive a pro rata portion of the annual grant of shares of common stock with an aggregate fair market value equal to \$24,000, rounded to the nearest 100 shares. This amount will be prorated for the period you were a non-employee director in 2002 (May-December 2002). The 1997 Stock Plan for Non-employee Directors (the "Plan") provides for the pro ration of shares as follows: $1/12$ of number of shares credited to the other directors for the \$24,000 grant multiplied by the number of months of service ($1,500/12 \times 8 = 1,000$ shares). Beginning in 2003, you will be entitled to receive the standard annual stock award as a non-employee director in accordance with the Plan.

☐ **Long Term Compensation**

- ☐ **Stock Options:** In October, 2001 the Compensation Committee approved the early vesting on April 30, 2002 of 66,640 stock options granted to you on January 27, 2000 which were originally scheduled to vest on January 27, 2003. Per the Company's written policy and practice, your vested stock options are extended to term upon your retirement.

-
- ☐ Performance Shares: In October, 2001 the Compensation Committee also approved not pro-rating your 47,000 performance shares granted on February 8, 2001 (the grant had provided for pro-rating upon retirement).
 - ☐ Performance Accelerated Vesting Options (PAVO's): The PAVO's vest the earlier of 12/27/09 or the 10th day in any 30 day calendar day period that Olin's stock price is equal to or greater than \$28. Upon your retirement, the grant provides for a five year extension from the retirement date of the performance period and the options are cancelled if the stock price does not exceed the \$28 trigger price within the five year period (i.e. in your case on or before April 30, 2007).
 - ☐ You will also be entitled to continue the use of your company car, cellular telephone, and home security system through your tenure as Chairman of the Board, as well as certain other incidental benefits while you remain a Board member, all of which in the aggregate are estimated not to exceed \$35,000 annually.

Agreed to and Acknowledged By:

/s/ Donald W. Griffin

Donald W. Griffin



501 MERRITT 7, P.O. BOX 4500, NORWALK, CT 06856-4500

PETER C. KOSCHE
Senior Vice President, Corporate Affairs
Phone: 203-750-2814
Fax: 203-750-3205
E-mail: pckosche@corp.olin.com

April 12, 2002

Mr. John McIntosh
2008 Woodchase Way, NE
Cleveland, TN 37311

Dear John:

This letter serves to confirm and clarify Olin's commitment to lend you up to \$60,000. The terms and conditions of this loan are as follows:

- The term of the loan will be five years
- No interest shall accrue on the outstanding principal balance if paid before the five year term has expired.
- Principal on this note shall be repaid in installments or full beginning twelve months after the loan has been executed.
- Interest will accrue on overdue principal at a fluctuating rate per annum equal to the sum of the borrowing rate plus 3% from the due date of such principal. The borrowing rate shall mean the base rate announced by Citibank, N.A., New York, NY or in the absence of such rate, the market rate as shall be determined by the Chief Financial Officer or Treasurer.
- Repayment date shall mean the earlier of five years from loan execution and/or the date on which you cease for any reason to be on Olin's active payroll.

If you have any questions, please do not hesitate to call me.

O L I N C O R P O R A T I O N

“*** Omitted pursuant to a request for confidential treatment and filed separately with the Commission.”



501 MERRITT 7, P.O. BOX 4500, NORWALK, CT 06866-4500

PETER C. KOSCHE

Senior Vice President, Corporate Affairs

Phone: 203-750-2814

Fax: 203-750-3205

E-mail: pckosche@corp.olin.com

April 11, 2002

To Whom It May Concern:

This serves as a formal commitment that Olin Corporation will lend John L. McIntosh, SS #[***], up to \$60,000.00. This commitment is valid for a period of eighteen months from the date of this letter.

If you have any questions, please do not hesitate to call.

Sincerely,

/s/ P.C. KOSCHE
P.C. Kosche

“*** Omitted pursuant to a request for confidential treatment and filed separately with the Commission.”

AMENDMENT TO PARTNERSHIP AGREEMENT

BETWEEN
OLIN SUNBELT, INC.
AND
1997 CHLORALKALI VENTURE, INC.

THIS AMENDMENT TO PARTNERSHIP AGREEMENT is entered into as of the 1st day of January, 2003, between Olin Sunbelt, Inc., a Delaware corporation ("OSI"), and 1997 Chloralkali Venture, Inc. ("1997 CVI"), a Delaware corporation.

WHEREAS, OSI and 1997 CVI entered into a Partnership Agreement dated as of August 23, 1996, pursuant to which OSI and 1997 CVI (collectively, the "Partners") established the Sunbelt Chlor Alkali Partnership, a Delaware general partnership (the "Partnership");

WHEREAS, such Partnership Agreement has been previously amended three (3) times each by an Amendment to Partnership Agreement, two of which were dated as of December 23, 1997, and one dated as of April 30, 1998 (as amended, the "Partnership Agreement", with all capitalized terms not otherwise defined herein having the meaning set forth in the Partnership Agreement);

WHEREAS, the Partnership is undertaking a 40,000 ECU capacity upgrade of the Facility (the "40,000 ECU Project") pursuant to Section 1.11(a) of the Partnership Agreement; and

WHEREAS, in connection with the 40,000 ECU Project OSI and 1997 CVI further desire to amend the Partnership Agreement in certain respects as set forth herein;

NOW THEREFORE, OSI and 1997 CVI agree as follows:

1. All references to the capacity of the Facility shall be changed from 250,000 ECUs to 290,000 ECUs.

2. (a) The Partners shall make capital contributions as and when necessary to fund the costs of the 40,000 ECU Project. All such capital contributions shall be made in proportion to the Partners' ownership interest set forth in Section 1.04(a) of the Partnership Agreement. The first capital call for contributions by each Partner with respect to the 40,000 ECU Project shall be in the amount previously agreed by the Partners, which shall be paid by each Partner to the Partnership no later than January 15, 2003. This first capital call shall be applied to payment of expenses incurred by Operator in 2002 in connection with the 40,000 ECU Project. After this initial capital call, the Partners will fund the expenses incurred for completion

of the 40,000 ECU Project through equal capital contributions pursuant to periodic cash calls made by the Operator.

(b) In addition, the Partners shall make capital contributions as and when needed to fund the Partnership's obligation pursuant to the Operating Agreement to reimburse Olin Corporation for its previous capital costs expended in the expansion of its brine production unit. To the extent that the timing or structure of such reimbursement can produce a tax efficiency without creating an adverse economic condition for either Partner individually, the Partners will use reasonable efforts to structure the reimbursement to capture the tax efficiencies.

3. Except as amended herein, all other provisions of the Partnership Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Partners have executed this Amendment the day and year first written above.

OLIN SUNBELT, INC.

/s/ John L. McIntosh

By: Name: John L. McIntosh
 Title: President, Olin Sunbelt, Inc.

1997 CHLORALKALI VENTURE, INC.

/s/ John Rastetter

By: Name: John Rastetter
 Title:

OLIN CORPORATION AND CONSOLIDATED SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Unaudited)

(In millions)

	Years Ended December 31,				
	2002	2001	2000	1999	1998
Earnings:					
Income (loss) from continuing operations before taxes	\$ (27)	\$ (13)	\$131	\$ 27	\$ 59
Add (deduct):					
Equity in income of non-consolidated affiliates	—	—	(2)	—	—
Dividends received from non-consolidated affiliates	—	—	1	—	—
Capitalized interest	—	—	—	—	(1)
Fixed charges as described below	36	29	27	27	31
Total	\$ 9	\$ 16	\$157	\$ 54	\$ 89
Fixed charges:					
Interest expensed and capitalized	\$ 26	\$ 18	\$ 16	\$ 16	\$ 18
Estimated interest factor in rent expense	10	11	11	11	13
Total	\$ 36	\$ 29	\$ 27	\$ 27	\$ 31
Ratio of earnings to fixed charges (1)	—	—	5.8	2.0	2.9

- (1) Income (loss) from continuing operations before taxes was insufficient to cover fixed charges by approximately \$27 million and \$13 million for the years ended December 31, 2002 and 2001, respectively.

SUBSIDIARIES OF OLIN CORPORATION ¹

(as of December 31, 2002)

Company	% Ownership	Jurisdiction
	(Direct/Indirect)	
A.J. Oster Caribe, Inc.	100	DE
A.J. Oster Foils, Inc.	100	DE
A.J. Oster West, Inc.	100	RI
Bridgeport Brass Corporation ²	100	IN
Bryan Metals, Inc. ³	100	OH
Chase Industries Inc.	100	DE
Chase Brass & Copper Company, Inc. ⁴	100	DE
Hunt Trading Co.	100	MO
LTC Reserve Corp. ⁴	100	DE
Monarch Brass & Copper Corp.	100	NY
Monarch Brass & Copper of New England Corp. ⁵	100	RI
New Haven Copper Company ⁵	100	CT
Olin Aegis partnership	100	DE
Olin Benefits Management, Inc. ⁶	90	CA
Olin Engineered Systems, Inc.	100	DE
Olin Environmental Management, Inc. ⁶	90	DE
Olin Far East, Limited	100	DE
Olin Financial Services Inc.	100	DE
Olin Sunbelt, Inc.	100	DE
Ravenna Arsenal, Inc.	100	OH
Sunbelt Chlor Alkali Partnership	50	DE
Waterbury Rolling Mills, Inc. ⁵	100	CT
Nutmeg Insurance Limited	100	Bermuda
Olin Asia Pacific Pte. Ltd.	100	Singapore
Olin Australia Limited	100	Australia
Olin Brass Japan, Inc.	100	Japan
Olin Canada Inc.	100	Canada
Olin Global Services Mexico	100	Mexico
Olin Hunt Specialty Products S.r.l.	100	Italy
Olin Industrial (Hong Kong) Limited	100	Hong Kong
Olin Luotong Metals (GZ) Co., Ltd.	80	China
Olin Mexico S.A. de C.V.	100	Mexico
Olin (UK) Limited	100	United Kingdom
Reductone Brasil Ltda.	100	Brazil
Yamaha-Olin Metal Corporation	50	Japan

¹ Omitted from the following list are the names of certain subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

² d/b/a “Olin Brass, Indianapolis” and “Olin Brass, Indianapolis Facility” in CA, IL, IN, NJ, NC, OH, PA, RI and TX.

³ d/b/a “Bryan Metals of Ohio” in NJ.

⁴ Indirect subsidiary, wholly-owned by Olin’s wholly-owned subsidiary, Chase Industries Inc.

⁵ Indirect subsidiary, wholly-owned by Olin’s wholly-owned subsidiary, Monarch Brass & Copper Corp.

⁶ Class A shares, all of which are held directly and indirectly by Olin Corporation, have the right to elect 4 directors. Class B shares, none of which are held directly or indirectly by Olin Corporation, have the right to elect 1 director.

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Shareholders of Olin Corporation:

We consent to incorporation by reference in the Registration Statements No. 333-101027 and No. 333-101029 on Form S-3 and Nos. 33-28593, 33-00159, 33-40346, 33-41202, 333-05097, 333-17629, 333-18619, 333-39305, 333-39303, 333-71693, 333-67411, 333-67086, 333-35818, 333-54308, 333-56690, 333-72244, 333-97759, 333-98193 and 333-88990 on Form S-8 of Olin Corporation of our report dated January 30, 2003, relating to the consolidated balance sheets of Olin Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2002, which report appears in the December 31, 2002 annual report on Form 10-K of Olin Corporation.

/s/ KPMG LLP

KPMG LLP

Stamford, CT
March 6, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Olin Corporation (the "Company") on Form 10-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Joseph D. Rupp, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH D. RUPP

Joseph D. Rupp
President and Chief Executive Officer

Dated: March 6, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Olin Corporation (the "Company") on Form 10-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Anthony W. Ruggiero, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY W. RUGGIERO

Anthony W. Ruggiero
Executive Vice President and Chief Financial Officer

Dated: March 6, 2003