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

FORM 10-K

☑ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended June 30, 2010

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: 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**31-0595760**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1221 Broadway, Oakland, California 94612-1888
(Address of principal executive offices) (ZIP code)

(510) 271-7000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock–$1.00 par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ . No ☐ .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ . No ☑ .

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ . No ☑ .

The aggregate market value of the registrant's common stock held by non-affiliates on December 31, 2009 (the last day of the most recently completed second quarter) was approximately $8.5 billion.

As of July 31, 2010, there were 138,931,910 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2010 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2010, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

THE CLOROX COMPANY
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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PART I

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward looking statements involve risks and uncertainties. Except for historical information, matters discussed below, including statements about future volume, sales, costs, cost savings, earnings, cash flows, plans, objectives, expectations, growth, or profitability, are forward looking statements based on management's estimates, assumptions and projections. Words such as "will," "could," "may," "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," and variations on such words, and similar expressions, are intended to identify such forward looking statements. These forward looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed below. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K for the year ended June 30, 2010, as updated from time to time in the Company's SEC filings.

These factors include, but are not limited to:

- the Company's costs, including volatility and increases in commodity costs such as resin, diesel, chlor-alkali, sodium hypochlorite, agricultural commodities and other raw materials;
- increases in energy costs;
- the ability of the Company to implement and generate expected savings from its programs to reduce costs, including its supply chain restructuring and other restructuring plans;
- supply disruptions or any future supply constraints that may affect key commodities or product inputs;
- risks inherent in relationships with suppliers, including sole-source or single-source suppliers;
- risks related to the handling and/or transportation of hazardous substances, including, but not limited to, chlorine;
- the success of the Company's strategies;
- the ability to manage and realize the benefits of joint ventures and other cooperative relationships, including the Company's joint venture regarding the Company's Glad ® plastic bags, wraps and containers business, and the agreements relating to the provision of information technology, procure to pay and other key services by third parties;
- risks relating to acquisitions, mergers and divestitures, including the Company's ability to achieve the projected strategic and financial benefits from the Burt's Bees acquisition;
- risks inherent in maintaining an effective system of internal controls, including the potential impact of acquisitions or the use of third-party service providers, and the need to refine controls to adjust for accounting, financial reporting and other organizational changes or business conditions;
- the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property, environmental and other legal matters, including the risk resulting from joint and several liability for environmental contingencies and risks inherent in litigation, including class action litigation;

- risks related to maintaining and updating the Company’s information systems, including potential disruptions, costs and the ability of the Company to implement adequate information systems in order to support the current business and to support the Company’s potential growth;
- the success of new products and the ability of the Company to develop products that delight the consumer;
- consumer and customer reaction to price increases;
- competitive actions;
- risks related to customer concentration;
- customer-specific ordering patterns and trends;
- risks arising out of natural disasters;
- the impact of disease outbreaks, epidemics or pandemics on the Company’s, suppliers’ or customers’ operations;
- changes in the Company’s tax rate;
- continuing unfavorable world-wide general economic and marketplace conditions and events, including consumer confidence and consumer spending levels, the rate of economic growth, the rate of inflation or deflation, and the financial condition of the Company’s customers, suppliers and service providers;
- foreign currency exchange rate and interest rate fluctuations;
- unfavorable political conditions in international markets and risks relating to international operations;
- the impact of the volatility of the debt markets on the Company’s cost of borrowing and access to funds, including commercial paper and its credit facility;
- risks relating to changes in the Company’s capital structure;
- the need for any unanticipated restructuring or asset-impairment charges;
- risks arising from declines in cash flow, whether resulting from declining sales, higher cost levels, tax payments, debt payments, share repurchases, interest cost increases greater than management’s expectations, or increases in debt or changes in credit ratings, or otherwise; and
- the Company’s ability to maintain its business reputation and the reputation of its brands.

The Company’s forward looking statements in this Report are based on management’s current views and assumptions regarding future events and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

In this Report, unless the context requires otherwise, the terms “the Company” and “Clorox” refer to The Clorox Company and its subsidiaries.

ITEM 1. BUSINESS

Overview of Business

The Company is a leading manufacturer and marketer of consumer and institutional products with approximately 8,300 employees worldwide and fiscal year 2010 net sales of $5.5 billion. The Company sells its products primarily through mass merchandisers, grocery stores and other retail outlets. It markets some of consumers' most trusted and recognized brand names, including its namesake bleach and cleaning products, Green Works ® natural cleaning and laundry products, Poett ® and Mistolín ® cleaning products, Armor All ® and STP ® auto-care products, Fresh Step ® and Scoop Away ® cat litter, Kingsford ® charcoal, Hidden Valley ® and K C Masterpiece ® dressings and sauces, Brita ® water-filtration systems, Glad ® bags, wraps and containers, and Burt's Bees ® natural personal care products. The Company's products are manufactured in more than two dozen countries and sold in more than 100 countries. The Company was founded in Oakland, Calif., in 1913 and is incorporated in Delaware.

The Company has developed a strategy focused on creating value by investing in new and existing sales channels, countries with profitable growth potential and categories, particularly those categories aligned with global consumer trends in the areas of health and wellness, sustainability and affordability, and appealing to a multicultural marketplace. The Company uses economic profit to drive enhanced performance, portfolio choices and resource allocation. Economic profit represents profit generated over and above the cost of capital used by the business to generate that profit. For information on recent business developments, refer to the information set forth under the caption "Executive Overview - Fiscal Year 2010 Summary" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," on page 3 of Exhibit 99.1 hereto, incorporated herein by reference.

Financial Information About Operating Segments and Principal Products

The Company operates through strategic business units that are aggregated into four reportable segments: Cleaning, Lifestyle, Household and International. The four reportable segments consist of the following:

- Cleaning consists of laundry, home-care, professional products and auto-care products marketed and sold in the United States. Products within this segment include laundry additives, including bleaches under the Clorox ® brand and Clorox 2 ® stain fighter and color booster; home-care products, primarily under the Clorox ® , Formula 409 ® , Liquid-Plumr ® , Pine-Sol ® , S.O.S ® and Tilex ® brands; natural cleaning and laundry products under the Green Works ® brand; and auto-care products primarily under the Armor All ® and STP ® brands.

- Household consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers, under the Glad ® brand; cat litter products, under the Fresh Step ® , Scoop Away ® and Ever Clean ® brands; and charcoal products under the Kingsford ® and Match Light ® brands.

- Lifestyle consists of food products, water-filtration systems and filters marketed and sold in the United States and all natural personal care products. Products within this segment include dressings and sauces, primarily under the Hidden Valley ® and K C Masterpiece ® brands; water-filtration systems and filters under the Brita ® brand; and all natural personal care products under the Burt's Bees ® brand.

- International consists of products sold outside the United States, excluding natural personal care products. These products include home-care, laundry, auto-care, water filtration, charcoal and cat litter products, dressings and sauces, plastic bags, wraps and containers, and insecticides, primarily under the Clorox ® , Javex ® , Glad ® , PinoLuz ® , Ayudin ® , Limpido ® , Clorinda ® , Poett ® , Mistolin ® , Lestoil ® , Bon Bril ® , Nevex ® , Brita ® , Armor All ® , STP ® , Green Works ® , Sabra ® , Pine-Sol ® , Agua Jane ® , Ever Clean ® , Chux ® , Kingsford ® and Hidden Valley ® brands.

The Company is exploring strategic options to optimize value of its auto-care products business. Those options could include a sale of that business or could involve retaining the business in its current configuration , although no decisions have been made at this time .

The Company has three product lines that have accounted for 10% or more of total consolidated net sales during each of the past three fiscal years. In fiscal years 2010, 2009 and 2008, respectively, sales of liquid bleach represented approximately 13%, 13% and 14% of the Company's total consolidated net sales, 25% of net sales in the Cleaning segment for each of the three fiscal years and 21%, 25% and 23% of net sales in the International segment. In fiscal years 2010, 2009 and 2008, respectively, sales of trash bags represented approximately 11%, 12% and 13% of the Company's total consolidated net sales, approximately 31%, 33% and 34% of net sales in the Household segment and approximately 10%, 10% and 11% of net sales in the International segment. Sales of charcoal represented approximately 11% in fiscal year 2010 and approximately 10% in fiscal years 2009 and 2008, respectively, of the Company's total consolidated net sales and approximately 36%, 32% and 30% of net sales in the Household segment, respectively.

Information for the last three fiscal years about the results of each of the Company's reportable segments and identifiable assets as of the end of the last two fiscal years, reconciled to the consolidated results, are set forth below.

(Millions)	Fiscal Year	Cleaning	Household	Lifestyle	International	Corporate [1]	Total Company
Net sales	2010	$ 1,838	$ 1,663	$ 864	$ 1,169	$ -	$ 5,534
	2009	1,836	1,726	813	1,075	-	5,450
	2008	1,817	1,698	676	1,082	-	5,273
Earnings (losses) before income taxes	2010	440	290	303	172	(280)	925
	2009	410	289	270	140	(298)	811
	2008	360	225	205	177	(274)	693
Identifiable assets	2010	1,211	788	1,378	907	271	4,555
	2009	1,043	724	1,316	895	598	4,576

(1) Corporate includes certain nonallocated administrative costs, interest income, interest expense and certain other nonoperating income and expenses. Corporate assets include cash and cash equivalents, the Company's headquarters and research and development facilities, information systems hardware and software, pension balances, and other investments.

Principal Markets and Methods of Distribution

Most of the Company's products are nationally advertised and sold within the United States to mass merchandisers, warehouse clubs, and dollar, military and other types of retail stores primarily through a direct sales force, and to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers. Within the United States, the Company also sells institutional, janitorial, healthcare and food-service versions of many of its products through distributors, as well as natural personal care products through the internet. Outside the United States, the Company sells products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners.

Financial Information about Foreign and Domestic Operations

For detailed financial information about the Company's foreign and domestic operations, including net sales and long-lived assets by geographic area, see Note 21 – *Segment Reporting* of the Notes to Consolidated Financial Statements beginning on page 65 of Exhibit 99.1 hereto.

Sources and Availability of Raw Materials

The Company purchases raw material from numerous unaffiliated domestic and international suppliers, some of which are sole-source or single-source suppliers. Interruptions in the delivery of these materials or services could adversely impact the Company. Key raw materials used by the Company include resin, jet fuel, chlor-alkali, sodium hypochlorite, corrugate, agricultural commodities and other raw materials. Sufficient raw materials were available during fiscal year 2010 and costs for materials continue to be volatile. During the first half of fiscal year 2010, the Company experienced moderate decline in commodity costs, and during the second half of fiscal year 2010, the Company experienced moderate commodity cost increases. The Company generally utilizes supply and forward-purchase contracts to help ensure availability and help manage the volatility of the pricing of raw materials needed in its operations. However, the Company is nonetheless highly exposed over the short term to changes in the price of commodities used as raw materials in the manufacturing of its products. For further information regarding the impact of changes in commodity prices, see "Quantitative and Qualitative Disclosure about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 20 of Exhibit 99.1 hereto and "Risk Factors – Price increases in raw materials, energy, transportation and other necessary supplies or services could harm the Company's profits" in Item 1.A.

Patents and Trademarks

Most of the Company's brand name consumer products are protected by registered trademarks. Its brand names and trademarks are highly important to its business, and the Company pursues a course of vigorous action against apparent infringements. Maintenance of brand equity value is critical to the Company's success. The Company's patent rights are also material to its business and are asserted, where appropriate, against apparent infringements.

Seasonality

Most sales of the Company's charcoal products occur in the first six months of each calendar year. A moderate seasonality trend also occurs in the net sales of the Company's Burt's Bees ® natural personal care products, with slightly more than half of the annual net sales occurring during the months of October through March. Operating cash flow is used to build inventories of those products in the off-season.

Customers and Order Backlog

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 27% for fiscal years 2010 and 2009, and 26% for fiscal year 2008, of the Company's total consolidated net sales. Order backlog is not a significant factor in the Company's business.

Competition

The markets for consumer products are highly competitive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands and "generic" nonbranded products in certain categories. Competition is encountered from similar and alternative products, some of which are produced and marketed by major multinational or national companies having financial resources greater than those of the Company. Depending on the product, the Company's products compete on product performance, brand recognition, price, value or other benefits to consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising support. If a product gains consumer acceptance, it normally requires continued advertising and promotional support and ongoing product improvement to maintain its relative market position.

Research and Development

The Company conducts research and development primarily at its Technical Center in Pleasanton, Calif. and also conducts research and development activities in Kennesaw, Ga.; Cincinnati, Oh.; Willowbrook, Il.; Midland, Mi.; Durham, NC; and Buenos Aires, Argentina. The Company devotes significant resources and attention to product development, process technology and consumer insight research to develop consumer-preferred products with innovative and distinctive features. The Company incurred expenses of $119 million, $114 million, and $111 million in fiscal years 2010, 2009 and 2008, respectively, on direct research activities relating to the development of new products and/or the maintenance and improvement of existing products. In addition, the Company also obtains technologies for use in its products from third parties. Royalties relating to such technologies are reflected in the Company's cost of sales. For further information regarding the Company's research and development costs, see "Research and development costs" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 7 of Exhibit 99.1 hereto.

Environmental Matters

For information regarding noncapital expenditures related to environmental matters, see the discussions below under "Risk Factors – Environmental matters create potential liability risks" in Item 1.A. No material capital expenditures relating to environmental compliance are presently anticipated.

Number of Persons Employed

At June 30, 2010, the Company employed approximately 8,300 people.

Available Information

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act are available on the Company's Internet Web site, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.thecloroxcompany.com under Investors/Financial Information/SEC Filings. Information relating to corporate governance at Clorox, including the Company's Code of Conduct, Board of Directors Governance Guidelines and Board Committee charters, including charters for the Management Development and Compensation Committee, the Audit Committee, the Finance Committee and the Nominating and Governance Committee, is available at www.thecloroxcompany.com under Company Information/Corporate Governance. The Company will provide any of the foregoing information without charge upon written request to Corporate Communications, The Clorox Company, 1221 Broadway, Oakland, CA 94612-1888. The information contained on the Company's Internet Web site is not included as a part of, or incorporated by reference into, this Report.

ITEM 1.A. RISK FACTORS

The risks and uncertainties set forth below, as well as other factors described elsewhere in this Report or in other filings by the Company with the SEC, could adversely affect the Company's business, financial condition and results of operations. Additional risks and uncertainties that are not currently known to the Company or that are not currently believed by the Company to be material may also harm the Company's business operations and financial results. Risks include:

- significant increases in the costs of energy and transportation, including the cost of diesel, or of key raw materials, including, but not limited to, resin, chlor-alkali, sodium hypochlorite, corrugate, agricultural commodities and other raw materials;
- the Company's ability to control internal costs and generate expected cost savings and efficiencies;
- the ability of the Company to efficiently manage its supply chain and manufacturing process and to effectively provide supply assurances to its customers;
- the impact of a potential product withdrawal, recall or other quality issue;
- the ability of the Company to successfully execute its strategies;
- the ability of the Company to penetrate and grow international markets;
- the ability of the Company to achieve its business plans, including volume growth and pricing plans, as a result of high levels of competitive activity or other factors;
- fluctuations in federal, state, local and foreign taxes and the ability of the Company to successfully manage regulatory, tax and legal matters, including the resolution of pending matters within current estimates;
- the ability of the Company to ensure compliance with applicable laws and with the Company's policies and procedures;
- the impact of any litigation or product liability claims;
- the impact of environmental remediation costs, including those for which the Company is jointly and severally liable;
- the introduction of new products and line extensions by the Company or its competitors;
- the effectiveness of the Company's advertising, marketing and promotional programs, including the effectiveness of the Company's use of digital media to reach consumers;
- the ability of the Company to maintain key retail customer relationships;
- changes in product pricing by the Company or its competitors and consumer and customer reaction to such changes;
- the impact of customer inventory reductions or reduction in the number of brands offered on retailer shelves;
- the impact of potential emerging technologies on the Company's existing product lines, including any potential future obsolescence;
- the mix of products sold within different channels and countries with varying profitability in a given quarter or fiscal year;

- the ability of the Company to manage inventory at appropriate levels, including decisions regarding obsolescence;
- the ability of the Company to maintain and enhance profits in the face of a consolidating retail environment;
- the ability to attract and retain a sufficient number of qualified personnel to meet the Company’s business needs;
- the impact of general economic conditions in the United States and in other countries in which the Company currently does business;
- the impact of interest rate and currency fluctuations;
- the impact of fluctuations in the value of derivative instruments and the ability to achieve hedge effectiveness for accounting purposes;
- the impact of foreign import and export restrictions or other trade regulations;
- the availability and cost of debt financing;
- changes to cash flow resulting from the Company’s operating results, tax settlement payments, debt repayments and share repurchases;
- charges resulting from any restructuring that management may, from time to time, choose to undertake;
- charges for impairment and obsolescence of property, plant and equipment in excess of projections;
- expenses for impairment of goodwill, trademarks and other intangible assets and equity investments in excess of projections;
- the impact of changing accounting principles and standards;
- significant increases in insurance costs, or pension, healthcare or other employee benefit costs;
- the impact of changes in the market value of investments, including those investments held in the Company’s pension plan, and any resulting funding requirements; and
- the ability of the Company to maintain the value and reputation of its brands.

In addition, Company growth, whether due to acquisitions or to internal growth, can burden management resources and financial controls that, in turn, can have a negative impact on operating results and net earnings. To some extent, the Company sets its expense levels in anticipation of future revenues. If actual revenue falls short of these expectations, operating results and net earnings are likely to be adversely affected.

The Company faces intense competition in its markets, which could lead to reduced profitability.

The Company faces intense competition from consumer product companies both in the U.S. and in its international markets. Most of the Company's products compete with other widely-advertised brands within each product category and with "private label" brands and "generic" nonbranded products of grocery chains and wholesale cooperatives in certain categories, which typically are sold at lower prices.

The Company's products generally compete on the basis of product performance, brand recognition, price, value or other benefits to consumers. Advertising, promotion, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements to maintain its relative market position.

Some of the Company's competitors are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company can. In addition, the Company's competitors may attempt to gain market share by offering products at prices at or below those typically offered by the Company. Competitive activity may require the Company to increase its spending on advertising and promotions and/or reduce prices and could lead to reduced profits and could adversely affect growth.

Unfavorable general economic conditions and financial market volatility may negatively impact the Company's financial performance and liquidity.

Although the Company continues to devote significant resources to support its brands, unfavorable economic conditions may negatively affect consumer demand for the Company's products. Consumers may reduce discretionary spending due to economic uncertainty or unfavorable economic conditions, and this may lead to reduced sales volumes or cause a shift in the Company's product mix from higher margin to lower margin products. Consumers may increase purchases of lower-priced or non-branded products and the Company's competitors may increase levels of promotional activity for lower-priced products as they seek to maintain sales volumes during recessionary periods.

In addition, global markets have continued to experience significant disruptions during fiscal year 2010 and continuing volatility could harm the Company's business. Although the Company currently generates significant cash flows from ongoing operations and has access to global credit markets through its financing activities and existing credit facilities, if the current credit conditions were to worsen, the Company might not be able to access credit markets on favorable terms, which could adversely affect the Company's ability to borrow. Financial market volatility and unfavorable economic conditions may also adversely affect the financial condition of the Company's customers, suppliers and other business partners. If customers' financial conditions are severely affected, the Company may not be able to collect account receivables. In addition, the decline in the equity markets and the valuation of other assets precipitated by the credit crisis and financial system disruptions has affected the value of the Company's pension plan assets. The lower pension plan asset base has negatively affected the return on plan assets and has increased the Company's pension expense. As a result, the Company has contributed additional pension funding. If current market conditions worsen or continue for a prolonged period of time, it could have an additional negative impact on future pension expense and cash flow.

Sales growth may be difficult to achieve.

A large percentage of the Company's revenues comes from mature markets that are subject to increased competition. During fiscal year 2010, approximately 80% of the Company's net sales were generated in U.S. markets. U.S. markets for cleaning products are considered mature and are generally characterized by high household penetration. The Company's ability to achieve sales growth will depend on its ability to drive growth through innovation, investment in its established brands and enhanced merchandising and its ability to capture market share from competitors. In addition, price increases may slow sales growth or create declines in sales in the short term as consumers adjust to price increases. If the Company is unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that grow its product categories, and develop, acquire or successfully launch new products, it may not achieve its sales growth objectives.

The Company is subject to foreign exchange rate risk and uncertain conditions and other risks in international markets.

The Company is exposed to foreign currency exchange rate risk with respect to its sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Although the Company uses instruments to hedge certain foreign currency risks, these hedges only offset a small portion of the Company's exposure to foreign currency fluctuations and its reported earnings may be affected by changes in foreign exchange rates.

In addition to foreign exchange rate risks, the Company faces and will continue to face substantial risks associated with having foreign operations, including:

- economic or political instability in its international markets, particularly in Latin America and particularly in Venezuela;
- difficulty in obtaining non-local currency (e.g. U.S. dollars, Euros) to pay for the raw materials needed to manufacture the Company's products and contract-manufactured products, particularly in Venezuela;
- restrictions on or costs relating to the repatriation of foreign profits to the United States, including possible taxes or withholding obligations on any repatriations; and
- the imposition of tariffs, trade restrictions, price restrictions or other governmental actions generating a negative impact on our business.

These risks could have a significant impact on the Company's ability to commercialize its products on a competitive basis in international markets and may have a material adverse effect on its results of operations or financial position. The Company's small sales volume in some countries, relative to some multinational and local competitors, could exacerbate such risks.

Also, the Company's operations outside the United States are subject to risks relating to potential difficulties in staffing and managing local operations, import and export laws, credit risk of local customers and distributors and potentially adverse tax consequences.

For further information regarding the impact of currency exchange rates and uncertain conditions in international markets, see "Venezuela" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 16 of Exhibit 99.1 hereto.

Operations outside of the United States may be affected by legal and regulatory risks, and government reviews, inquiries or investigations could harm the Company's business.

The Company's operations outside the United States are subject to risks relating to compliance with legal and regulatory requirements in the United States and in local jurisdictions. Additionally, there is a risk of potentially higher incidence of fraud or corruption in certain foreign jurisdictions and greater difficulty in maintaining effective internal controls. From time to time, the Company may conduct internal investigations and compliance reviews to ensure that the Company is in compliance with applicable laws and regulations. Additionally, the Company could be subject to inquiries or investigations by government and other regulatory bodies. Any determination that the Company's operations or activities are not in compliance with United States laws, including the Foreign Corrupt Practices Act, or various international laws and regulations could expose the Company to significant fines, penalties or other sanctions that may harm the business and reputation of the Company.

Acquisitions, new venture investments and divestitures may not be successful.

In connection with the Company's strategy, the Company may seek to increase growth through acquisitions. Not only is the identification of good acquisition candidates difficult and competitive, but these transactions also involve numerous risks, including the ability to:

- successfully integrate acquired companies, products, systems or personnel into the Company's existing business, especially with respect to businesses or operations that are outside of the United States;
- minimize any potential interruption to the ongoing business of the Company;
- successfully enter categories and markets in which the Company may have limited or no prior experience;
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions;
- retain key relationships with employees, customers, partners and suppliers of acquired companies; and
- maintain uniform standards, controls, procedures and policies throughout acquired companies.

Companies or operations acquired or joint ventures created may not be profitable or may not achieve sales levels and profitability that justify the investments made. Future acquisitions could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, the increase in expenses related to certain intangible assets and increased operating expenses, which could adversely affect the Company's results of operations and financial condition. Future acquisitions of foreign companies would increase the Company's exposure to foreign exchange risks. In addition, to the extent that the economic benefits associated with any of the Company's acquisitions diminish in the future, the Company may be required to record additional write-downs of goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect its operating results.

The Company may also decide to divest certain assets, businesses or brands that do not meet the Company's strategic objectives or growth targets. With respect to any divestiture, the Company may encounter difficulty finding potential acquirers or other divestiture options on favorable terms. Any divestiture could affect the profitability of the Company, either as a result of the gains or losses on such sale of a business or brand, the loss of the operating income resulting from such sale or the costs or liabilities that are not assumed by the acquirer that may negatively impact profitability subsequent to any divestiture. The Company may also be required to recognize impairment charges as the result of a divesture.

Any potential future acquisitions, new ventures or divestitures may divert the attention of management and may divert resources from matters that are core or critical to the business.

The Company may not successfully develop and introduce new products and line extensions.

The Company's future performance and growth depends on its ability to successfully develop and introduce new products and line extensions and product improvements. The Company cannot be certain that it will successfully achieve those goals. The development and introduction of new products require substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, which could result in the Company not being first to market, the failure of new products and line extensions to achieve anticipated levels of market acceptance and the cost of failed product introductions.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

A limited number of customers account for a large percentage of the Company's net sales. Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 27% for fiscal years 2010 and 2009, and 26% for fiscal year 2008 of consolidated net sales and occurred in each of the Company's reportable segments. No other customers exceeded 10% of consolidated net sales in any of these years. During fiscal years 2010, 2009 and 2008, the Company's five largest customers accounted for 45%, 43% and 42% of its net sales, respectively. The Company expects that a significant portion of its revenues will continue to be derived from a small number of customers. As a result, changes in the strategies of the Company's largest customers, including a reduction in the number of brands they carry or a shift of shelf space to "private-label" or competitors' products, may harm the Company's sales. Additionally, this may reduce the ability of the Company to bring new innovative products to consumers.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's sales and profits to decline. In recent years, the Company has seen increasing retailer consolidation both in the U.S. and internationally. This trend has resulted in the increased size and influence of large consolidated retailers, which may demand lower pricing or special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company's business, financial condition and results of operations may be harmed.

The Company's financial results could suffer if the Company is unable to implement its strategies or if the Company's strategies do not achieve the intended effects.

There is no assurance that the Company will be able to implement its strategies or will achieve its intended growth targets. If the Company is unable to implement its strategies in accordance with its expectations, the Company's financial results could be adversely affected. Moreover, the Company cannot be certain that implementation of its strategies will necessarily advance the Company's business or financial results.

Profitability could suffer if the Company is unable to generate anticipated savings and efficiencies, including through its supply chain restructuring and other restructuring plans.

The Company's success and profitability depend on the efficient manufacture and production of products. Historically, the Company has undertaken restructuring programs and incurred restructuring charges, and expects to continue to restructure its operations as necessary to improve operational efficiency. For example, beginning in fiscal year 2008, the Company began a supply chain restructuring involving closing certain domestic and international manufacturing facilities and redistributing production between the remaining facilities and third-party producers to optimize available capacity and reduce operating costs. Gaining additional efficiencies may become increasingly difficult over time and any failure to successfully execute such changes may result in supply chain interruption, which may negatively impact product volume and margins. In addition, one of the Company's key strategies is to reduce waste, lower costs and increase productivity. The Company sets aggressive annual cost savings targets in support of this strategy. Failure to reduce costs through productivity gains and operating model efficiencies could adversely affect profitability.

Price increases in raw materials, energy, transportation and other necessary supplies or services could harm the Company's profits.

Increases in the cost of raw materials, including resin, chlor-alkali, sodium hypochlorite, linerboard, soybean oil, solvent, natural oils, corrugate and other chemicals and agricultural commodities, or increases in the cost of energy, transportation and other necessary services, including the cost of diesel, may harm the Company's profits and operating results. If price increases for any of the primary raw materials or other necessary supplies or services occur and the Company is not able to increase the prices of its products or achieve cost savings to offset such price increases, its profits and operating results will be harmed. In addition, if the Company increases the prices of its products in response to increases in the cost of commodities, and the commodity costs decline, the Company may not be able to sustain its price increases over time. Also, competitors may not adjust their prices, which could lead to sales declines and loss of market share. Sustained price increases may lead to declines in volume, and while the Company seeks to project tradeoffs between price increases and volume, its projections may not accurately predict the volume impact of price increases.

For further information regarding the impact of changes in commodity prices, see "Quantitative and Qualitative Disclosure about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 20 of Exhibit 99.1 hereto.

Reliance on a limited base of suppliers may result in disruption to the Company's business.

The Company relies on a limited number of suppliers, including sole-source and single-source suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. If the Company is unable to maintain supplier arrangements and relationships, or if it is unable to contract with suppliers at the quantity and quality levels needed for its business, or if any of the Company's key suppliers becomes insolvent or experiences other financial distress, the Company could experience disruptions in production and its financial results could be adversely affected.

Additional government regulations could impose material costs.

Generally, the manufacture, packaging, labeling, storage, distribution and advertising of the Company's products and the conduct of its business operations must all comply with extensive federal, state and foreign laws and regulations. For example, in the United States, many of the Company's products are regulated by the Environmental Protection Agency, the Food and Drug Administration and the Consumer Product Safety Commission, and the Company's product claims and advertising are regulated by the Federal Trade Commission. In addition, security at certain of the Company's facilities is regulated by the Department of Homeland Security. Most states have agencies that regulate in parallel to these federal agencies. In addition, the Company's international operations are subject to regulation in each of the foreign jurisdictions in which it manufactures or distributes its products. If the Company is found to be out of compliance with applicable laws and regulations in these or other areas, it could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on its business. Loss of or failure to obtain necessary permits and registrations could delay or prevent the Company from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results, particularly with respect to its charcoal business. It is possible that the federal government will increase regulation of the transportation, storage or use of certain chemicals to enhance homeland security or protect the environment and that such regulation could negatively impact the Company's ability to obtain raw materials or could increase costs. In addition, pending legislative initiatives and newly adopted legislation, such as the Patient Protection and Affordable Care Act, the Health Care and Education Reconciliation Act of 2010 and the Dodd-Frank Wall Street Reform and Consumer Protection Act in the areas of healthcare reform and other initiatives and legislation in the area of taxation of foreign profits, executive compensation and corporate governance could also increase the Company's costs.

Product liability claims could adversely affect the Company's sales and operating results.

The Company may be required to pay for losses or injuries purportedly caused by its products. Claims could be based on allegations that, among other things, the Company's products contain contaminants or provide inadequate instructions regarding their use, or inadequate warnings concerning interactions with other substances or damage property. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. In addition, if one of the Company's products is found to be defective, the Company could be required to recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or certain product liability claims may be excluded under the terms of the policy.

Environmental matters create potential liability risks.

The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. The Company is currently involved in or has potential liability with respect to the remediation of past contamination in the operation of some of its currently and formerly owned and leased facilities. In addition, some of its present and former facilities have been or had been in operation for many years and, over that time, some of these facilities may have used substances or generated and disposed of wastes that are or may be considered hazardous. It is possible that those sites, as well as disposal sites owned by third parties to whom the Company has sent waste, may in the future be identified and become the subject of remediation. It is possible that the Company could become subject to additional environmental liabilities in the future that could result in a material adverse effect on its results of operations or financial condition.

At June 30, 2010, the Company had a recorded liability of $16 million for its future remediation costs. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability. The Company is subject to a cost-sharing arrangement with Ford Motor Co. (Ford) for this matter, under which the Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as it and Ford are each responsible for their own such fees. In October 2004, the Company and Ford agreed to a consent judgment with the Michigan Department of Environmental Quality, which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. The Company made payments of less than $1 million in fiscal years 2010 and 2009, respectively, towards remediation efforts. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

The Company also handles and/or transports hazardous substances, including but not limited to chlorine, at its plant sites, including the rail transit of liquid chlorine from its point of origin to the Company's manufacturing facilities. A release of such chemicals, whether in transit or at the Company's facilities, due to accident or an intentional act, could result in substantial liability. The Company has incurred, and will continue to incur, significant capital and operating expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations, and such expenditures reduce the cash flow available to the Company for other purposes.

Failure to maximize, successfully assert or successfully defend the Company's intellectual property rights could impact its competitiveness.

The Company relies on intellectual property rights based on trademark, trade secret, patent and copyright laws to protect its brands, its products and the packaging for those products. The Company cannot be certain that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be certain that these rights, if obtained, will not later be invalidated, circumvented or challenged, and the Company could incur significant costs in connection with legal actions to assert its intellectual property rights, or to defend those rights from assertions of invalidity. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which the Company's products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States. If other parties infringe the Company's intellectual property rights, they may dilute the value of the Company's brands in the marketplace, which could diminish the value that consumers associate with the Company's brands and harm its sales. The failure to perfect or successfully assert its intellectual property rights could make the Company less competitive and could have a material adverse effect on its business, operating results and financial condition.

If the Company is found to have infringed the intellectual property rights of others or cannot obtain necessary intellectual property rights from others, its competitiveness could be negatively impacted.

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease use of a trademark, trade secret, copyrighted work or patented invention in the Company's business and the obligation to pay a substantial amount for past infringement. In some instances, the Company may not be able to obtain the intellectual property rights necessary to support new product introductions or on-going sales. It could also be necessary to pay a substantial amount in the future for rights if holders are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, operating results and financial condition.

The Company's substantial indebtedness could adversely affect its operations and financial results and prevent the Company from fulfilling its obligations.

The Company has a significant amount of indebtedness. As of June 30, 2010, the Company had $2.8 billion of debt. The Company's substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for the Company to satisfy its cash obligations;
- increase the Company's vulnerability to general adverse economic and industry conditions;
- limit the Company's ability to fund potential acquisitions;
- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of its cash flow to fund working capital requirements, capital expenditures and other general corporate purposes;
- limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in the Company's indebtedness, among other things, its ability to borrow additional funds. Failure to comply with these covenants could result in an event of default that, if not cured or waived, could have a significant adverse effect on the Company.

The Company may not have sufficient cash to service its indebtedness and pay cash dividends.

The Company's ability to repay and refinance its indebtedness and to fund capital expenditures depends on the Company's cash flow. In addition, the Company's ability to pay cash dividends depends on cash flow and net profits (as defined by Delaware law). The Company's cash flow and net profits are often subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Company's control, and such factors may limit the Company's ability to repay indebtedness and pay cash dividends.

The Company may incur substantially more debt, which could further exacerbate the risks described above.

The Company may incur substantial additional indebtedness in the future to fund acquisitions, to repurchase shares or to fund other activities for general business purposes, subject to compliance with the Company's existing restrictive debt covenants. As of June 30, 2010, the Company could add approximately $1.3 billion in incremental debt and remain in compliance with restrictive debt covenants. If new debt is added to the current debt levels, the related risks that the Company now faces could intensify. In addition, the cost of incurring additional debt could increase due to possible downgrades in the Company's credit rating.

The facilities of the Company and its suppliers are subject to disruption by events beyond the Company's control.

Operations at the facilities of the Company and its suppliers are subject to disruption for a variety of reasons, including work stoppages, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters. In addition, the Company's corporate headquarters and Technical Center are located near major earthquake fault lines in California. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers or suspension of operations.

The Company’s continued growth and expansion and increasing reliance on third party service providers could adversely affect its internal control over financial reporting, which could harm its business and financial results.

Clorox management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company’s financial statements would be prevented or detected. The Company’s continuing growth and expansion in domestic and globally dispersed markets will place significant additional pressure on the Company’s system of internal control over financial reporting. Moreover, the Company increasingly engages the services of third parties to assist with business operations and financial reporting processes, which inserts additional monitoring obligations and risk into the system of internal control. Any failure to maintain an effective system of internal control over financial reporting could limit the Company’s ability to report its financial results accurately and on a timely basis or to detect and prevent fraud.

A failure of a key information technology system could adversely impact the Company’s ability to conduct business.

The Company relies extensively on information technology systems, some of which are managed by third-party service providers, in order to conduct business. These systems include, but are not limited to, programs and processes relating to communicating within the Company and with other parties, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements and other processes involved in managing the business. The Company is implementing enterprise-wide upgrades to the Company’s hardware, software and operating systems, including initiating an international enterprise resource planning system (ERP), in order to support the Company’s existing operations and future growth. If the Company’s existing and/or future technology systems and processes do not adequately support the future growth of the Company’s business, the Company’s business may be adversely impacted. Although the Company has network security measures in place, the systems may be vulnerable to computer viruses, security breaches, and other similar disruptions from unauthorized users. While the Company has business continuity plans in place, if the systems are damaged or cease to function properly due to any number of causes, including catastrophic events, power outages, security breaches or other similar events, and if the business continuity plans do not effectively resolve such issues on a timely basis, the Company may suffer interruptions in the ability to manage or conduct business, which may adversely impact the Company’s business.

Harm to the Company’s reputation or the reputation of one or more of its leading brands could have an adverse effect on the business.

Maintaining a strong reputation with consumers, customers and trade partners is critical to the success of the Company’s business. The Company devotes significant time and resources to programs designed to protect and preserve the Company’s reputation and the reputation of its brands. These programs include ethics and compliance, sustainability, and product safety and quality initiatives, among others. Despite these efforts, adverse publicity about the Company, including product safety or quality or similar concerns, whether real or perceived, could harm the Company’s image and result in an adverse effect on its business, as well as require resources to rebuild its reputation.

Resolutions of tax disputes may impact the Company's earnings and cash flow.

Significant judgment is required in determining the Company's effective tax rate and in evaluating its tax positions. On July 1, 2007, the Company adopted an accounting standard that provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the applicable accounting standards. Changes to uncertain tax positions, including related interest and penalties, impact the Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the effective tax rate. Any resolution of a tax issue may require the use of cash in the year of resolution. For additional information, refer to the information set forth in Note 19 - *Income Taxes* of the Notes to Consolidated Financial Statements beginning on page 56 of Exhibit 99.1 hereto.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Production and Distribution Facilities

The Company owns or leases and operates 23 manufacturing facilities in North America and owns and operates 18 manufacturing facilities outside North America. The Company also leases six regional distribution centers in North America and several other warehouse facilities. Management believes the Company's production and distribution facilities, together with additional facilities owned or leased and operated by various unaffiliated finished product suppliers and distribution center service providers that serve the Company, are adequate to support the business efficiently and that the Company's properties and equipment have generally been well maintained. The Company is performing a supply chain restructuring that it expects to complete by the end of fiscal year 2012, which involves closing certain domestic and international manufacturing facilities and redistributing production between its remaining facilities and contract manufacturers to optimize availability, capacity and reduce operating costs. For additional information, see "Restructuring and asset impairment costs" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 8 through 9 of Exhibit 99.1 hereto, incorporated herein by reference.

Offices and Research and Development Facilities

The Company owns its general office building located in Oakland, Calif., its Technical Center and Data Center located in Pleasanton, Calif. and its research and development facility at its plant in Buenos Aires, Argentina. The Company also conducts research and development activities and engineering research in leased facilities in Willowbrook, Il.; Cincinnati, Oh.; Midland, Mi.; Durham, NC.; and Kennesaw, Ga. Leased sales and other facilities are located at a number of other locations. The Company has outsourced a significant portion of its information technology activities to Hewlett-Packard, including its data centers, which are primarily located in Alpharetta, Ga.

Encumbrances

None of the Company's owned facilities are encumbered to secure debt owed by the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

ITEM 4. (REMOVED AND RESERVED)

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, year first elected and current titles of each of the executive officers of the Company as of July 31, 2010, are set forth below:

Name	Age	Year First Elected Executive Officer	Title
Donald R. Knauss	59	2006	Chairman of the Board and Chief Executive Officer
Lawrence S. Peiros	55	1999	Executive Vice President and Chief Operating Officer – North America
Daniel J. Heinrich	54	2003	Executive Vice President – Chief Financial Officer
Frank A. Tataseo	55	2004	Executive Vice President – Strategy & Growth, Bags & Wraps and Away from Home
M. Beth Springer	46	2005	Executive Vice President – International & Natural Personal Care
Jacqueline P. Kane	58	2004	Senior Vice President – Human Resources & Corporate Affairs
Laura Stein	48	2005	Senior Vice President – General Counsel
Thomas P. Britanik	52	2009	Senior Vice President – Chief Marketing Officer
Wayne L. Delker	56	2009	Senior Vice President – Chief Innovation Officer
Benno Dorer	46	2009	Senior Vice President – General Manager, Cleaning Division
James Foster	48	2009	Senior Vice President – Chief Product Supply Officer
Grant J. LaMontagne	54	2009	Senior Vice President – Chief Customer Officer
George Roeth	49	2009	Senior Vice President – General Manager, Specialty Division

There is no family relationship between any of the above-named persons, or between any of such persons and any of the directors of the Company. See Item 10 of Part III of this Report for additional information regarding the Company's executive officers.

Donald R. Knauss was elected chairman and chief executive officer of the Company in October 2006. He was executive vice president of The Coca-Cola Company and president and chief operating officer for Coca-Cola North America from February 2004 until August 2006. Previously, he was president of the Retail Division of Coca-Cola North America from January 2003 through February 2004.

Lawrence S. Peiros was elected executive vice president and chief operating officer – North America effective January 2007. From January 1999 through January 2007, he served as group vice president – household.

Daniel J. Heinrich was elected executive vice president – chief financial officer effective June 2009. From July 2004 until June 2009, he served as senior vice president – chief financial officer. From October 2003 to June 2004, he served as vice president – chief financial officer.

Frank A. Tataseo was elected executive vice president – strategy & growth, bags & wraps and away from home effective January 2009. From January 2007 to November 2008, he served as executive vice president - functional operations. From July 2004 through January 2007, he served as group vice president – functional operations. He served as senior vice president – sales from September 1999 through June 2004.

M. Beth Springer was elected executive vice president - international and natural personal care effective January 2009. She served as executive vice president – strategy & growth from January 2007 until January 2009. From January 2005 through January 2007, she served as group vice president – specialty. She served as vice president, general manager of Glad Products from October 2002 through December 2004.

Jacqueline P. Kane was elected senior vice president – human resources & corporate affairs effective January 2005. She joined the Company as vice president – human resources in March 2004 and was elected senior vice president – human resources in July 2004. From September 2000 to February 2004, she was employed by Hewlett-Packard Company, most recently as vice president of executive leadership and human resources for corporate functions.

Laura Stein was elected senior vice president – general counsel effective January 2005. She also served as secretary from September 2005 through May 2007. From January 2000 through January 2005, she was senior vice president – general counsel for H.J. Heinz Company.

Thomas P. Britanik was elected senior vice president – chief marketing officer effective June 2009. He previously held the position of vice president – marketing from February 2008 to May 2009. From July 2005 through January 2008, he served as vice president – general manager, U.S. auto-care and Brita ®. He held vice president positions in the customer capability development and marketing, litter, food & charcoal business units prior to July 2005.

Wayne Delker was elected senior vice president – chief innovation officer effective June 2009. He joined the Company in August 1999 as vice president – global research & development and served in that position through May 2009.

Benno Dorer was elected senior vice president – general manager, cleaning division effective June 2009. From October 2007 to May 2009, he held the title of vice president – general manager, cleaning division. He previously held the position of vice president – general manager, household division from March 2007 to October 2007. He joined the Company in January 2005 as vice president – general manager, Glad ® Products and served in that position through March 2007. From January 2003 through January 2005, he was vice president – marketing, Glad ® joint venture for Procter & Gamble.

James Foster was elected senior vice president – chief product supply officer effective June 2009. From April 2009 to May 2009, he served as vice president – product supply. From October 2007 through April 2009, he served as vice president – manufacturing. He held the position of vice president – product supply, specialty products groups from July 2004 through September 2007. From August 2002 through March 2004, he held the position of director, manufacturing – charcoal and litter.

Grant J. LaMontagne was elected senior vice president – chief customer officer effective June 2009. From July 2004 to May 2009, he served as vice president – sales. He held the position of vice president – specialty sales, from July 1994 to July 2004.

George Roeth was elected senior vice president – general manager, specialty division effective June 2009. He held the title of vice president – general manager, specialty division from February 2007 through May 2009. From April 2004 through February 2007, he served as vice president – general manager, litter, food & charcoal. He served as vice president – growth and marketing from July 2003 through April 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock is listed on the New York Stock Exchange. The high and low sales prices quoted for the New York Stock Exchange-Composite Transactions Report for each quarterly period during the past two fiscal years appear in Note 23 – *Unaudited Quarterly Data* of the Notes to Consolidated Financial Statements, which appears on page 68 of Exhibit 99.1 hereto, incorporated herein by reference.

Holders

The number of record holders of the Company's common stock as of July 31, 2010, was 12,664 based on information provided by the Company's transfer agent.

Dividends

The amount of quarterly dividends declared with respect to the Company's common stock during the past two fiscal years appears in Note 23– *Unaudited Quarterly Data* of the Notes to Consolidated Financial Statements, which appears on page 68 of Exhibit 99.1 hereto, incorporated herein by reference.

Equity Compensation Plan Information

This information appears in Part III, Item 12 hereof.

Issuer Purchases of Equity Securities

The following table sets out the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the fourth quarter of fiscal year 2010.

Period	[a] Total Number of Shares (or Units) Purchased(1)	[b] Average Price Paid per Share (or Unit)	[c] Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) of Shares (or Units that May Yet Be Purchased Under the Plans or Programs(2)
April 1 to 30, 2010	2,049	$ 64.29	-	$ 750,000,000
May 1 to 31, 2010	2,076,628	$ 63.23	-	$ 750,000,000
June 1 to 30, 2010	299,310	$ 62.95	-	$ 750,000,000

(1) The shares purchased in April 2010 relate entirely to the surrender to the Company of shares of common stock to satisfy tax withholding obligations in connection with the distribution of performance shares. Of the shares purchased in May 2010, 2,074,427 shares were acquired pursuant to the Company's share repurchase program to offset the potential impact of share dilution related to share-based awards. The remaining 2,201 shares relate to the surrender to the Company of shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock. The total shares purchased in June 2010 were acquired pursuant to the Company's share repurchase program to offset the potential impact of share dilution related to share-based awards.

(2) On May 13, 2008, the board of directors approved a new $750,000,000 share repurchase program, all of which remains available for repurchase as of June 30, 2010. On September 1, 1999, the Company announced a share repurchase program to reduce or eliminate dilution upon the issuance of shares pursuant to the Company's stock compensation plans. The program initiated in 1999 has no specified cap and therefore is not included in column [d] above. On November 15, 2005, the Board of Directors authorized the extension of the 1999 program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Company's 2005 Stock Incentive Plan. None of these programs has a specified termination date.

ITEM 6. SELECTED FINANCIAL DATA

This information appears under "Five-Year Financial Summary," on page 72 of Exhibit 99.1 hereto, incorporated herein by reference.

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

This information appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations," on pages 1 through 26 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 7.A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information appears under "Quantitative and Qualitative Disclosure about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," on pages 20 through 21 of Exhibit 99.1 hereto, incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear on pages 27 through 68 of Exhibit 99.1 hereto, incorporated herein by reference.

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

Not applicable.

ITEM 9.A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this report, were effective such that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control Over Financial Reporting

In May 2010, the Company implemented the Hyperion Financial Management system, which is the Company's new primary application for consolidating and reporting worldwide financial results. Other than the Hyperion implementation, there was no change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Management’s report on internal control over financial reporting is set forth on page 69 of Exhibit 99.1 hereto, and is incorporated herein by reference. The Company’s independent registered public accounting firm, Ernst & Young, LLP, has audited the effectiveness of the Company’s internal control over financial reporting as of June 30, 2010, and has expressed an unqualified opinion in their report, which appears on page 70 of Exhibit 99.1 hereto.

ITEM 9.B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K, information regarding the executive officers of the registrant is reported in Part I of this Report.

The Company has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer and controller, among others. The Code of Conduct is located on the Company's Internet Web site at www.thecloroxcompany.com under Company Information/Corporate Governance. The Company intends to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Conduct by posting such information on the Company's Internet Web site. The Company's Internet Web site also contains its corporate governance guidelines and the charters of its principal board committees.

Information regarding the Company's directors, compliance with Section 16(a) of the Exchange Act and corporate governance set forth in the Proxy Statement are incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive compensation and the report of the Compensation Committee of the Company's board of directors set forth in the Proxy Statement are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management and equity compensation plan information set forth in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding certain relationships and related transactions, director independence and securities authorized for issuance under equity compensation plans, set forth in the Proxy Statement, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding principal accounting fees and services set forth in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules:

Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm included in Exhibit 99.1 hereto, incorporated herein by reference:

Consolidated Statements of Earnings for the fiscal years ended June 30, 2010, 2009 and 2008

Consolidated Balance Sheets as of June 30, 2010 and 2009

Consolidated Statements of Stockholders' Equity (Deficit) for the fiscal years ended June 30, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm

Valuation and Qualifying Accounts and Reserves included in Exhibit 99.2 hereto, incorporated herein by reference

(b) Exhibits

3.1 Restated Certificate of Incorporation (filed as Exhibit 3(iii) to the Quarterly Report on Form 10-Q filed for the quarter ended December 31, 1999, incorporated herein by reference).

3.2 Bylaws (amended and restated) of the Company (filed as Exhibit 3.1 to the Current Report on Form 8-K, filed November 20, 2009, incorporated herein by reference).

4.1 Indenture dated as of December 3, 2004, by and between the Company and The Bank of New York Trust Company N.A., as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K, filed December 3, 2004, incorporated herein by reference).

4.2 Exchange and Registration Agreement dated December 3, 2004, relating to the Company's Floating Rate Notes due 2007, 4.20% Senior Notes due 2010 and 5.00% Notes due 2015 (filed as Exhibit 4.2 to the Current Report on Form 8-K, filed December 3, 2004, incorporated herein by reference).

4.3 Cross-reference table for Indenture dated as of December 3, 2004, (listed as Exhibit 4.1 above) and the Trust Indenture Act of 1939, as amended (filed as Exhibit 4.3 to the Registration Statement on Form S-4 (File No. 333-123115), as declared effective by the Securities and Exchange Commission on April 29, 2005).

4.4 Indenture dated as of October 9, 2007, by and between the Company and The Bank of New York Trust Company N.A., as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K, filed October 10, 2007, incorporated herein by reference).

4.5 Form of Supplemental Indenture between the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.4 to Post-Effective Amendment No. 1 to Form S-3 (File No. 333-146472) filed November 4, 2009, incorporated herein by reference) .

4.6 Second Supplemental Indenture dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K, filed November 5 , 2009, incorporated herein by reference).

10.1* 1993 Directors' Stock Option Plan dated November 17, 1993, which was adopted by the stockholders at the Company's annual meeting of stockholders on November 17, 1993, and amended and restated on September 15, 2004 (filed as Exhibit 10-2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).

10.2* Form of Option Award under the 1993 Directors' Stock Option Plan as amended and restated as of September 15, 2004, (filed as Exhibit 10-3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).

10.3* The Clorox Company Independent Directors' Stock-Based Compensation Plan, which was adopted by the stockholders at the Company's annual meeting of stockholders on November 19, 2003 (filed as Exhibit 10(xiv) to the Annual Report on Form 10-K for the year ended June 30, 2002, incorporated herein by reference).

10.4* The Clorox Company Independent Directors' Deferred Compensation Plan, amended and restated as of February 7, 2008 (filed as Exhibit 10.55 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).

10.5* Form of Officer Employment Agreement (filed as Exhibit 10(viii) to the Annual Report of Form 10-K for the year ended June 30, 2004, incorporated herein by reference).

10.6* Form of Amendment No. 1 to Employment Agreement (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, incorporated herein by reference).

10.7* Form of Amendment No. 2 to Employment Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed May 22, 2006, incorporated herein by reference).

10.8* Form of Officer Employment Agreement, amended and restated as of February 7, 2008 (filed as Exhibit 10.60 to the Quarterly Report of Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).

10.9* Non-Qualified Deferred Compensation Plan adopted as of January 1, 1996, and amended and restated as of July 20, 2004 (filed as Exhibit 10(x) to the Annual Report on Form 10-K for the year ended June 30, 2004, incorporated herein by reference).

10.10* The Clorox Company 1996 Stock Incentive Plan, which was adopted by the stockholders at the Company's annual meeting of stockholders on November 28, 2001, amended and restated as of September 15, 2004 (filed as Exhibit 10-4 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).

10.11* Form of Option Award under the Company's 1996 Stock Incentive Plan amended and restated as of September 15, 2004 (filed as Exhibit 10-5 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).

10.12* The Clorox Company Annual Incentive Plan (formerly named The Clorox Company Management Incentive Compensation Plan), amended and restated as of August 13, 2009 (filed as Exhibit 10.11 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.13* The Clorox Company 2005 Stock Incentive Plan, amended and restated as of September 15, 2009 (filed as Exhibit 10.12 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.14* Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.13 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.15* Form of Restricted Stock Award Agreement under the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.14 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.16* Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.15 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.17* The Clorox Company 2005 Nonqualified Deferred Compensation Plan, amended and restated effective January 1, 2008 (filed as Exhibit 10.18 to the Annual Report on Form 10-K for the year ended June 30, 2008, incorporated herein by reference).

10.18* The Clorox Company Amended and Restated Replacement Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009 (filed as Exhibit 10.17 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, incorporated herein by reference).

10.19* Form of Change in Control Agreement, amended and restated as of February 7, 2008 (filed as Exhibit 10.59 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).

10.20* The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008 (filed as Exhibit 10.58 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).

10.21* Employment Agreement between The Clorox Company and Donald R. Knauss, amended and restated as of February 7, 2008 (filed as Exhibit 10.57 to the Quarterly Report on Form 10-Q, for the quarter ended March 31, 2008, incorporated herein by reference).

10.23* Change in Control Agreement between The Clorox Company and Donald R. Knauss, amended and restated as of February 7, 2008 (filed as Exhibit 10.56 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, incorporated herein by reference).

10.24* Form of Indemnification Agreement (filed as Exhibit 10.27 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, incorporated herein by reference).

10.25* Form of Severance Plan for Clorox Executive Committee Members as of May 19, 2010.

10.26 Share Exchange Agreement dated as of October 6, 2004, by and among the Company, Henkel KGaA and HC Investments, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, incorporated herein by reference).

10.27 Issuing and Paying Agency Agreement by and between The Clorox Company and J.P. Morgan Trust Company, National Association (filed as Exhibit 10.5 to the Current Report on Form 8-K, filed November 16, 2004, incorporated herein by reference).

10.28 Purchase Agreement dated November 30, 2004, relating to the Floating Rate Senior Notes due December 2007, 4.20% Senior Notes due January 2010 and 5.00% Senior Notes due January 2015 (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed December 3, 2004, incorporated herein by reference).

10.29 Credit Agreement, dated as of April 16, 2008 among The Clorox Company, the banks listed therein, JPMorgan Chase Bank, N.A., Citicorp USA, Inc. and Wachovia Bank, N.A. as Administrative Agents, Citicorp USA, Inc. as Servicing Agent and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and BNP Paribas as Documentation Agents (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed April 22, 2008, incorporated herein by reference).

10.30 Amendment No. 1 to Credit Agreement, dated as of April 2, 2009 among The Clorox Company, the banks listed therein, Citicorp USA, Inc., JPMorgan Chase Bank, N.A., Wachovia Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., BNP Paribas, Lehman Brothers Bank, FSB, William Street LLC, Wells Fargo Bank, N.A., PNC Bank, N.A., The Northern Trust Company and Fifth Third Bank (filed as Exhibit 10.35 to the Annual Report on Form 10-K for the year ended June 30, 2009, incorporated herein by reference).

10.31 Accelerated Share Repurchase Agreement dated as of August 10, 2007, by and among the Company and Citibank, N.A. (filed as Exhibit 10.49 to the Quarterly Report for the period ending September 30, 2007, incorporated herein by reference).

10.32 Accelerated Share Repurchase Agreement dated as of August 10, 2007, by and among the Company and J.P. Morgan Securities Inc. (filed as Exhibit 10.50 to the Quarterly Report for the period ending September 30, 2007, incorporated herein by reference).

10.33 Form of Escrow Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed November 5, 2007, incorporated herein by reference).

10.34 Form of Principal Stockholder Consent (filed as Exhibit 99.1 to the Current Report on Form 8-K, filed on November 5, 2007, incorporated herein by reference).

10.35(+)	Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates (filed as Exhibit 10 to the amended Quarterly Report on Form 10-Q/A for the quarter ended December 31, 2004, incorporated herein by reference).
10.36	Agreement and Plan of Merger among the Company, Burt's Bees, Inc., Buzz Acquisition Corp., and BBI Holdings LP, dated as of October 30, 2007 (filed as Exhibit 2.1 to the Current Report on Form 8-K, filed on November 5, 2007, incorporated herein by reference).
21.1	Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Preferability Letter regarding change in accounting policy relating to goodwill and indefinite-lived intangible assets.
31.1	Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.
99.2	Valuation and Qualifying Accounts and Reserves.
99.3	Reconciliation of Economic Profit.
101	The following materials from The Clorox Company's Annual Report on Form 10-K for the year ended June 30, 2010 are formatted in eXtensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Stockholders' Equity (Deficit), (iv) the Consolidated Statements of Cash Flows and (iv) Notes to Condensed Consolidated Financial Statements. This Exhibit 101 is deemed not filed for purposes of Section 11 or 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 , and otherwise is not subject to liability under these sections.

(+) Confidential treatment has been granted for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.
(*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

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.

THE CLOROX COMPANY

Date: August 25, 2010

By: /s/ D.R. Knauss

D. R. Knauss

Chairman 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 dates indicated.

Signature	Title	Date
/s/ D. Boggan, Jr. D. Boggan, Jr.	Director	August 25, 2010
/s/ R. Carmona R. Carmona	Director	August 25, 2010
/s/ T. M. Friedman T. M. Friedman	Director	August 25, 2010
/s/ G. J. Harad G. J. Harad	Director	August 25, 2010
/s/ D. R. Knauss D. R. Knauss	Chairman and Chief Executive Officer (Principal Executive Officer)	August 25, 2010
/s/ R. W. Matschullat R. W. Matschullat	Director	August 25, 2010
/s/ G. G. Michael G. G. Michael	Director	August 25, 2010

Signature	Title	Date
/s/ E. A. Mueller E. A. Mueller	Director	August 25, 2010
/s/ J. L. Murley J. L. Murley	Director	August 25, 2010
/s/ P. Thomas-Graham P. Thomas-Graham	Director	August 25, 2010
/s/ C. M. Ticknor C. M. Ticknor	Director	August 25, 2010
/s/ D. J. Heinrich D. J. Heinrich	Executive Vice President — Chief Financial Officer (Principal Financial Officer)	August 25, 2010
/s/ T. D. Johnson T. D. Johnson	Vice President — Global Business Services and Chief Accounting Officer (Principal Accounting Officer)	August 25, 2010

INDEX OF EXHIBITS

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Exhibit 10.25

Severance Plan for Clorox Executive Committee Members
Effective as of May 19, 2010

The Severance Plan for Clorox Executive Committee Members (the "Plan") provides benefits in certain instances to Participants who are employed by The Clorox Company, a Delaware corporation ("Clorox") or an Affiliate of Clorox (collectively, the "Company") and whose employment is involuntarily terminated.

Article I Definitions

1.1 "Affiliate" means any corporation or other entity that, now or hereafter, directly or indirectly owns, is owned by, or is under common ownership of Clorox. A corporation or other entity shall be deemed to be "owned" by Clorox where Clorox owns more than fifty percent (50%) of the equity or other ownership interest in, or has the power to vote on or direct the affairs of such corporation or other entity.

1.2 "Base Salary" means the annual base salary of the Participant immediately prior to termination of employment by the Company.

1.3 "Board" means the Board of Directors of Clorox.

1.4 "Bonus Target" means the annual bonus that the Participant would have received in a fiscal year under the Company's Annual Incentive Plan ("AIP Plan") and/or the Company's Executive Incentive Compensation Plan ("EIC Plan"), if the target goals had been achieved.

1.5 "Code" means the Internal Revenue Code of 1986, as amended.

1.6 "General Release" means a general release of all claims in the form attached as Exhibit 1, which may be amended by the Management Development and Compensation Committee of Clorox's Board (the "Committee") at its sole discretion from time to time.

1.7 "Medical Insurance Coverage" means any medical, dental, vision and prescription drug insurance coverage offered by the Company to its salaried employees.

1.8 "Misconduct" means any act or omission of the Participant through which he: (i) willfully neglects significant duties he is required to perform or willfully violates a material Company policy, and, after being warned in writing, continues to neglect such duties or continues to violate the specified Company policy; (ii) commits a material act of dishonesty, fraud, misrepresentation or other act of moral turpitude; (iii) acts (or omits to act) with gross negligence in the course of employment; (iv) fails to obey a lawful direction of the Board or a corporate officer to whom he reports, directly or indirectly; or (v) acts in any other manner inconsistent with the Company's best interests and values.

No act or failure to act on the part of the Participant shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board, upon the instructions of the Chief Executive Officer, or upon the advice of counsel for the Company shall be conclusively presumed to be done or omitted to be done by the Participant in good faith and in the best interests of the Company. The Participant shall not be deemed to have committed an act or omission of Misconduct unless and until the Committee determines that, in its good faith opinion, the Participant is guilty of conduct described in subparagraphs (i) through (v) above, and so notifies the Participant specifying the particulars thereof in detail.

1.9 “Participant” means a regular salaried employee of the Company scheduled to work more than twenty (20) hours per week who is a member of the Clorox Executive Committee (“CEC Member”). A Clorox employee who became or becomes a CEC Member on or after June 2, 2009 shall be considered a Participant under this Plan effective immediately. A Clorox employee who was a CEC Member prior to June 2, 2009, shall be considered a Participant under this Plan upon termination or expiration of such CEC Member’s employment agreement with the Company, to the extent that such CEC Member remains a CEC Member after such termination or expiration.

1.10 “Section 409A” means Section 409A of the Code, and any related regulations or other guidance promulgated thereunder by the U.S. Department of the Treasury or the Internal Revenue Service.

1.11 “Separation Date” means the last day a Participant is employed by the Company.

1.12 “SERP” means The Clorox Company Supplemental Executive Retirement Plan, as it may be amended from time to time.

1.13 “Specified Employee” means a Participant who, for purposes of Section 409A of the Code on the Separation Date, is classified as:

A. an officer of the Company having annual compensation greater than the compensation limit in Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty (50) officers of the Company shall be determined to be Specified Employees as of any Separation Date;

B. a five percent owner of the Company, regardless of compensation; or

C. a one percent owner of the Company having annual compensation from the Company of more than $150,000.

1.14 “Year of Service” means a consecutive or non-consecutive twelve-month period, including approved leaves of absence, beginning on the first date that a Participant performs an hour of service for the Company. If a Participant separates service from the Company and is rehired within a twelve-month period, any period of less than twelve consecutive months during which the Participant does not perform an hour of service will be counted when computing Years of Service. A twelve-month or longer period of separation will not be counted when computing Years of Service.

1.15 Other Definitions.

AIP Plan	Section 1.4
Bonus	Section 3.1 (B)
CIC Agreement	Section 3.5
Claimant	Section 4.2
Clorox	Recital
COBRA	Section 3.1 (D)
Committee	Section 1.6
Company	Recital
EIC Plan	Section 1.4
ERISA	Section 5.6
Other Benefits	Section 3.5
Plan	Recital
Plan Administrator	Section 4.1

Article II Termination of Employment

2.1 By Company for Misconduct. The Company may terminate the Participant's employment for Misconduct (as defined in Section 1.8 above) at any time in accordance with such definition. The Company shall pay the Participant the salary and other amounts (e.g., accrued but unused vacation) to which he is entitled by law through the Separation Date or under the terms of another compensation or benefit plan, program or arrangement sponsored by the Company, and thereafter the Company's obligations shall terminate. The Participant shall not be entitled to any unpaid AIP Plan and/or EIC Plan award(s) for the prior fiscal year or the fiscal year in which termination occurs, and the Participant shall not be entitled to any benefits under this Plan.

2.2 By Participant. The Participant may, after satisfying any obligation to provide advance written notice to the Company and continuing his employment until the end of such period, terminate his employment, for any reason or no reason. The Company shall pay the Participant the salary and other amounts (e.g., accrued but unused vacation) to which he is entitled by law through the end of the Participant's employment or under the terms of another compensation or benefit plan, program or arrangement sponsored by the Company, and thereafter the Company's obligations shall terminate. The Participant shall not be entitled to any benefits under this Plan.

2.3 By Company at Will. The Company may, at any time, with or without notice, and for any reason or no reason, terminate the Participant's employment. If the Company terminates the Participant’s employment other than for Misconduct or on account of disability, the severance payment provisions of Article III shall apply and the Company shall have no additional liability. The Company’s progressive discipline policy and practice do not apply to such terminations.

Article III Severance Benefits

3.1 A Participant whose employment with the Company is involuntarily terminated by the Company other than for Misconduct or on account of disability is entitled to receive the benefits described below:

A. An amount equal to two times the Participant’s Base Salary. Such amount shall be paid as soon as reasonably practicable and, subject to Section 3.4, no later than thirty (30) days after the Separation Date.

B. An amount equal to:

$$\text{Bonus} \times \frac{\text{\# of days in the current fiscal year through the Separation Date}}{365} \times 75\%$$

This amount under 3.1(B) will be paid after the close of the fiscal year at the same time that AIP and EIC Plan award payments are made to then employed executives; provided, however, that if the Participant is a Specified Employee (as defined in Section 1.409A-1(i) of the Treasury Department Regulations) on the Separation Date, such payments shall be made in accordance with Section 3.4 below. For purposes of this section, "Bonus" means a percentage of the Participant's Bonus Target for such fiscal year based upon the application of the overall corporate results factor and the division and/or functional results factor, if applicable, of the AIP and/or EIC Plan award calculation matrix. The Bonus will not be based on any personal objectives factor; thus, the individual modifier to be applied to the corporate and business and/or functional results, if any, will be calculated at 100%.

Provided, however, that if the Participant meets retirement eligibility on the Separation Date and thus is eligible to receive a prorated bonus (“Retirement Bonus”) in the year of separation in accordance with the terms of the Company’s AIP Plan, EIC Plan or any other plan adopted by the Company, the Company may determine, in its sole discretion, to either pay such Retirement Bonus or pay the amount calculated in accordance with this Section 3.1(B), but it shall not be obligated to pay both.

C. If the Participant as of the Separation Date is at least age 53 and has at least 8 Years of Service, and became eligible for participation in the SERP prior to its closure to new participants in April 2007, but has not reached age 55 and/or has less than 10 Years of Service, then for the purpose of determining early retirement eligibility and calculating the Early Retirement Benefit (including, but not limited to, determining the Normal Retirement Benefit, Early Retirement Date and any reduction factors used in calculating the Early Retirement Benefit) under the SERP the Participant’s age, if less than 55, will be deemed to be 55 years and 0 months on the Early Retirement Date and the Participant’s Years of Service, if less than 10, will be deemed to be 10. Under these circumstances, the Participant’s Early Retirement Benefit shall be calculated based upon the Participant’s Compensation (as defined in the SERP) earned on or prior to the Participant’s Separation Date.

D. The Company shall provide the Participant with the benefits described in either paragraph (i) or (ii) below, as follows:

(i) if the Participant participated in a Company self-insured medical plan (which does not satisfy the requirements of Section 105(h)(2)) of the Code immediately prior to the Separation Date, then (a) the Participant shall have the right to continue in such plan for a period of up to two (2) years (as determined below) following the date on which his coverage would otherwise terminate under such plan on account of termination of employment (without for this purpose taking into account any health care continuation rights under COBRA (as defined below)) and (b) the Company shall pay to the Participant, or cause to have paid on the Participant's behalf, an amount equal to the Company's portion of the premiums payable for a period of up to two (2) years (as determined below) starting from the Separation Date, under the Company's group health plans for providing Medical Insurance Coverage to the Participant and to those family members covered through Participant under the Medical Insurance Coverage in effect at the time of the Separation Date. Such coverage described in (a) above shall be provided under the group health plans in which Participant and his covered family members are participating at the time of the Separation Date or subsequently elect in accordance with the Company's applicable established procedures. Subject to Section 3.4, the Company shall pay or cause to have paid all amounts due under section 3.1(D)(i)(b) in up to two annual installments, with the first installment due or credited within thirty (30) days after the Separation Date and a subsequent installment being made or credited on the anniversary thereof; provided, however, that either installment shall be prorated or eliminated to the extent that the Participant becomes eligible for other health coverage through a subsequent employer or reaches the age of 65 years during the year covered by the installment; or

(ii) if paragraph (i) above is not applicable (because the Participant participated in a health benefit program to which Section 105(h) of the Code is not applicable, such as the Company's HMO immediately prior to the Separation Date), the Company shall continue to provide benefits under such health plan on the same basis as for an employee of the Company, for a period of up to two (2) years (as determined below) starting from the Separation Date.

Each continued health benefit described herein shall cease upon the earliest of: (i) two years from the Separation Date; (ii) the Participant’s 65th birthday; or (iii) the Participant’s eligibility for the same type of health benefit (i.e., medical, dental or vision coverage) under a subsequent employer’s group health plans. Any period of participation hereunder shall not be subtracted from the period of months for which the Participant is eligible for benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). As such, upon the cessation of coverage under this Section 3.1(D), the Participant shall be entitled to elect continued coverage under COBRA (at the Participant's sole expense) for the full period the Participant would have otherwise been entitled to had the Participant's qualifying event (within the meaning of COBRA) occurred on the date of such cessation of coverage.

E. In addition, solely for purposes of determining eligibility for retiree Medical Insurance Coverage, the Participant shall be credited with two additional years of age and service as of the Separation Date. If, taking into account these additional credits, the Participant would meet the age and service requirements for non-subsidized or subsidized participation under the Company's retiree Medical Insurance Coverage as and if offered to similarly situated former employees, the Participant shall have the right to continued participation under such retiree Medical Insurance Coverage on the same terms and conditions as for such former employees, including applicable retiree premium contributions from the Participant as in effect from time to time. Such right to participate shall apply from the time such coverage would otherwise terminate pursuant to Section 3.1(D) above and shall continue until the Participant attains age 65; thereafter the Participant may participate in the Company's post-65 retiree Medical Insurance Coverage as and if it may exist from time to time in the future, if he would be eligible to participate pursuant to the terms of that plan. The Company reserves the right to amend or eliminate retiree Medical Insurance Coverage and nothing in this paragraph guarantees such coverage.

3.2 A Participant shall not be entitled to the severance benefits set forth in this Article III if the Participant is terminated by the Company but continues to be employed by, or is offered employment with: (i) a third party or related entity in connection with an outsourcing of such Participant's position to such third party or related entity; or (ii) any entity or individual that acquires all or any portion of the assets or operations of the Company, or that assumes responsibility for the performance of the obligations of all or any portion of the Company. Notwithstanding the foregoing, if the continued or offered employment referenced above in this Section 3.2 is in a location that is more than 50 miles from the Participant's current principle work location, and the Participant elects not to continue or accept such employment, then the Participant shall be deemed to have been involuntarily terminated by the Company other than for Misconduct or on account of disability and therefore shall be entitled to severance benefits, pursuant and subject to the other terms of this Plan.

3.3 As a condition to receipt of the severance benefits set forth in this Article III, a Participant must execute a General Release within the time specified therein. If the Participant does not execute the General Release within the time provided, or having executed such General Release, effectively revokes the General Release, or fails to comply with his obligations and requirements under the General Release, then the Company will not be obligated to provide any benefits or payments of any kind to the Participant pursuant to this Plan and the Participant shall be obligated to return to the Company any payments or benefits previously provided to the Participant pursuant to this Plan.

3.4 Notwithstanding the foregoing, if the Participant is a Specified Employee on the Separation Date, all payments specified in this Article III that are subject to Section 409A but are not made by March 15 of the year immediately following the Separation Date, may be made to the extent that the amount does not exceed two times the lesser of (i) the sum of the Participant's annualized compensation based upon the annual rate of pay for services provided to the Company for the taxable year preceding the termination, or (ii) the maximum amount ($245,000 in 2009) that may be taken into account pursuant to Section 401(a)(17) of the Code for the year in which the Participant has terminated. Any amounts exceeding such limit, may not be made before the earlier of the date which is six (6) months after the Separation Date or the date of death of the Participant. Furthermore, any payments pursuant to this Article III shall be postponed until six (6) months following the end of the consulting period so long as the Participant continues to work on a consulting basis for the Company following termination and such consulting requires the Participant to work more than 20% of his average hours worked during the 36 months preceding his termination. Any payments that were scheduled to be paid during the six (6) month period following the Participant's Separation Date, but which were delayed pursuant to this Section 3.4, shall be paid without interest on, or as soon as administratively practicable after, the first day following the six (6) month anniversary of the Participant's Separation Date (or, if earlier, the date of Participant's death). Any payments that were originally scheduled to be paid following the six (6) months after the Participant's Separation Date shall continue to be paid in accordance to their predetermined schedule.

3.5 Notwithstanding any other provision of this Plan to the contrary, any benefits payable to a Participant under this Plan shall be in lieu of any severance benefits payable by the Company to such individual under any other arrangement covering the individual, unless expressly otherwise agreed to by the Company in writing. Further, in the event that the Participant is entitled to receive severance benefits under any agreement or contract with the Company, excluding that certain Amended and Restated Change in Control Agreement for Level 1 Executives entered into between certain Participants and Clorox ("CIC Agreement"); any plan, policy, program or other arrangement adopted or established by the Company; under the Worker Adjustment and Retraining Notification (WARN) Act, 29 U.S.C. § 2101 et seq., or other applicable law providing for payments from Clorox or its subsidiaries or affiliates on account of termination of employment, including pay in lieu of advance notice of termination ("Other Benefits"), any severance benefits payable hereunder shall be reduced by the Other Benefits. In the event that the Participant becomes entitled to receive benefits under a CIC Agreement entered into between such Participant and Clorox, any benefits payable thereunder shall be in lieu of any severance benefits payable under this Plan.

3.6 Recoupment in Event of Subsequently Discovered Misconduct. If, after the Separation Date of a Participant, the Company discovers the Participant had engaged in acts or omissions during the course of the Participant's employment with the Company that meet the definition of Misconduct (as defined in Section 1.8 above, excluding any notice, prior written warning and other similar procedural terms of that definition), then the Plan Administrator may immediately cease the delivery of any further payments or benefits provided for under this Article III and shall be entitled to recoup from the Participant for the benefit of the Company any payments and/or the value of any benefits provided to the Participant described in this Article III, plus interest at the then prevailing prime rate.

Article IV Plan Administration and Claims

4.1 Plan Administration. The Committee shall serve as the person responsible for administration of this Plan ("Plan Administrator"). As the Plan Administrator, the Committee has full discretionary authority to administer and interpret this Plan, including discretionary authority to determine eligibility for participation and for benefits under this Plan and to correct errors. The Plan Administrator may delegate administrative duties to other Company personnel or to any other committee. Any such delegation will carry with it the full discretionary authority of the Plan Administrator to carry out these duties. Any determination by the Plan Administrator or its delegate will be final and conclusive upon all persons and shall be given the maximum deference allowed by law.

4.2 Claims Procedure. If an individual (“Claimant”) believes that he or she is entitled to a benefit under this Plan that is greater than the benefit about which the Claimant has received notice under this Plan, the Claimant may submit a written application to the Plan Administrator or its delegate within 90 days of having been denied such a benefit. The Claimant will generally be notified of the approval or denial of this application within 90 days (180 days if the Plan Administrator (or its delegate) determines that an extension of time for processing is required and provides written notice to the Claimant) of the date that the Plan Administrator (or its delegate) receives the application. If the claim is denied in whole or in part, the notification will state specific reasons for the denial, reference this Plan provisions on which the denial is based, include a description of any additional materials or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary, and describe the Plan's claims review procedures. The Claimant will have 60 days to file an appeal of the denial with the Plan Administrator (or its delegate). This appeal will include the reasons for requesting an appeal, facts supporting the appeal and any other relevant comments. The Plan Administrator (or its delegate), operating pursuant to its discretionary authority to administer and interpret this Plan and to determine eligibility for benefits under the terms of this Plan, will generally make a final, written determination of the Claimant’s appeal within 60 days (120 days if the Plan Administrator (or its delegate) determines that an extension of time for processing is required and provides written notice to the Claimant) of receipt of the request for review. If the appeal is denied in whole or in part, the notification will state specific reasons for the denial, reference the Plan provisions on which the denial is based, and notify the Claimant of the right to initiate an arbitration proceeding in accordance with Section 4.3. The Claimant must exhaust the procedures set forth in this Section 4.2 before initiating an arbitration proceeding relating to a claim for benefits under this Plan in accordance with Section 4.3. Each Participant agrees as a condition of participating in this Plan that arbitration is the exclusive dispute resolution mechanism with respect to this Plan following a Claimant's exhaustion of the procedures described in this Section 4.2.

4.3 Arbitration. Within one (1) year following a Claimant's exhaustion of the procedures in Section 4.2, any remaining controversy relating to this Plan shall be settled by the Claimant and the Company solely pursuant to final and binding arbitration before a single arbitrator in accordance with the then current commercial arbitration rules of the American Arbitration Association, and judgment on the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. Failure by the Claimant to initiate arbitration within the one (1) year time period set forth above shall prevent the Claimant from any pursuit of such claim by any means, whether through arbitration or otherwise, and the resolution of such claim upon the completion of the claims procedure set forth in Section 7.2 shall be final and binding on Claimant and any and all successors in interest. The arbitrator shall determine whether to affirm or reverse the Plan Administrator's (or its delegate's) denial of the appeal, and shall reverse such denial if the Plan Administrator's (or its delegate's) decision was arbitrary or capricious. The arbitrator shall have no power to alter, add to, or subtract from any provision of this Plan. The arbitrator’s decision shall be final and binding on all parties, if warranted on the record and reasonably based on applicable law and the provisions of this Plan. The arbitrator shall have no power to award any damages that are not permitted by ERISA, and under no circumstances shall an award contain any amount that in any way reflects any of such types of damages. Each party shall bear its own attorney’s fees, but the Company shall bear the costs and expenses of arbitration (provided that if the Company prevails in the arbitration, the arbitrator may, in his or her discretion, require the Claimant to pay or reimburse the Company for all or a portion of such costs and expenses). The location of the arbitration shall be within fifty (50) miles of the last place of employment with the Company of the Participant with respect to whose potential Plan benefit the claim is brought. Service of legal process should be directed to the Legal Services Department of Clorox. Process may also be served on the Corporate Secretary of Clorox. Clorox’s employer identification number is 31-0595760. Clorox’s address and telephone number are: 1221 Broadway, Oakland, CA 94612, (510) 271-7000.

Article V Miscellaneous Provisions

5.1 Assignment. To the fullest extent permitted by law, Plan benefits are not assignable.

5.2 Death of Participant. If a Participant dies after an involuntary termination, the benefit that otherwise would have been payable to the Participant will be paid, in a single sum payment, as soon as administratively practicable to the Participant’s surviving spouse, or if there is no such spouse, to the Participant’s estate.

5.3 Compliance. Plan benefits are conditioned on a Participant’s compliance with any confidentiality agreement or release that the Participant has entered into with Clorox and/or with an Affiliate in addition to any other requirement or obligation set forth in this Plan or the General Release.

5.4 Amendment and Termination. The Board or the Committee, by a signed writing, may amend or terminate this Plan at any time, with or without notice; provided, however, that this Plan may not be amended or terminated to reduce or eliminate benefits that would otherwise be payable under this Plan to Participants who are entitled to benefits under Article III as of the date such amendment or termination is approved by the Board or the Committee, as applicable.

5.5 Continued Services. This Plan does not provide a Participant with any right to continue employment with the Company or affect the right of the Company to terminate the services of any individual at any time with or without cause.

5.6 Governing Law. This Plan is intended to be an unfunded welfare benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). To the extent applicable and not preempted by ERISA, the laws of the State of California will govern this Plan.

5.7 Plan Year. This Plan’s fiscal records are maintained on a fiscal year basis with a June 30 year end.

5.8 Source of Payments. Benefits payable under this Plan are not funded and are payable only from the general assets of Clorox or the appropriate Affiliate.

5.9 Section 409A. To the extent applicable, it is intended that this Plan and any payment made hereunder shall comply with the requirements of Section 409A. Any provision that would cause this Plan or any payment hereunder to fail to satisfy Section 409A shall have no force or effect until amended to the minimum extent required to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

5.10 Gender, Number and References. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular and the singular shall include the plural. Any reference in this Plan to a Section of this Plan or to an act or code or to any section thereof or rule or regulation thereunder shall be deemed to refer to such Section of this Plan, act, code, section, rule or regulation, as may be amended from time to time, or to any successor Section of this Plan, act, code, section, rule or regulation.

5.11 Severability. The provisions of this Plan are severable and in the event that a court of competent jurisdiction determines that any provision of this Plan is in violation of any law or public policy, in whole or in part, only the portions of this Plan that violate such law or public policy shall be stricken. All portions of this Plan that do not violate any statute or public policy shall not be affected thereby and shall continue in full force and effect. Further, any court order striking any portion of this Plan shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intent of the Company under this Plan.

5.12 Notices. All notices or other communications required or permitted hereunder shall be made in writing. Notice shall be effective on the date of delivery if delivered by hand, on the first business day following the date of dispatch if delivered utilizing next day service by a recognized next day courier to the applicable address set forth below, or if mailed, three business days after having been mailed, postage prepaid, by certified or registered mail, return receipt requested, and addressed to the applicable address set forth below. Notice given by facsimile shall be effective upon written confirmation of receipt of the facsimile.

If to the Participant :

To the residence address for the Participant last shown on the Company's payroll records.

If to the Company :

The Clorox Company
1221 Broadway
Oakland, California 94612
Attention: General Counsel
Fax: 510-271-1696

or to such other address as either party shall have furnished to the other in writing in accordance herewith.

5.13 Waiver. No waiver of any breach of any term or provision of this Plan by the Company shall be construed to be, nor shall be, a waiver of any other breach of this Plan. No waiver shall be binding unless in writing and signed by the Company.

5.14 Tax Withholding. All amounts or benefits payable pursuant to this Plan shall be subject to such withholding taxes as may be required by law.

EXHIBIT 1
GENERAL RELEASE

This document is an important one. You should review it carefully and, if you agree to it, sign at the end on the line indicated.

You have 21 days to sign this Release, during which time you are advised to consult with an attorney regarding its terms.

After signing this Release, you have seven days to revoke it. Revocation should be made in writing and delivered so that it is received by the Corporate Secretary of The Clorox Company, 1221 Broadway, Oakland, CA 94612 no later than 4:30 p.m. on the seventh day after signing this Release. If you do revoke this Release within that time frame, you will have no rights under it. This Release shall not become effective or enforceable until the seven day revocation period has expired.

The agreement for payment of consideration in paragraph 2 will not become effective until the seven day revocation period has passed.

This GENERAL RELEASE is entered into between The Clorox Company (hereinafter referred to as "Employer") and _____________________ (hereinafter referred to as "Executive"). Defined terms used in this General Release not defined herein shall have the meaning set forth in the Severance Plan (as defined below). Employer and Executive agree as set forth herein, including as follows:

1. Executive's regular employment with Employer will terminate as of _________________, 20_. Executive is ineligible for reemployment or reinstatement with Employer.

2. Upon Executive's acceptance of the terms set forth herein, the Employer agrees to provide the Executive with compensation and benefits set forth in Article III of the Severance Plan for Clorox Executive Committee Members (the “Severance Plan”), which compensation and benefits shall be provided subject to the terms and conditions of the Severance Plan, a copy of which is attached to this General Release.

3. (a) In consideration of the Employer providing Executive this compensation, Executive and Executive's heirs, assignees and agents agree to release the Employer, all affiliated companies, agents and employees and each of their successors and assigns (hereinafter referred to as "Releasees") fully and finally from any claims, liabilities, demands or causes of action which Executive may have or claim to have against the Releasees at present or in the future, except for the following: (i) claims for vested benefits under the terms of an employee compensation or benefit plan, program or arrangement sponsored by the Company, (ii) claims for workers' compensation benefits under any of the Company's workers' compensation insurance policies or funds, (iii) claims related to Executive's COBRA rights, and (iv) claims for indemnification to which Executive is or may become entitled, including but not limited to claims submitted to an insurance company providing the Company with directors and officers liability insurance. The claims released may include, but are not limited to, any tax obligations as a result of the payment of consideration referred to in paragraph 2, and claims arising under federal, state or local laws prohibiting discrimination in employment, including the Age Discrimination in Employment Act (ADEA) or claims growing out of any legal restrictions on the Employer's right to terminate its employees. Claims of discrimination, wrongful termination, age discrimination, and any claims other than for vested benefits are hereby released.

(b) By signing this document, Executive agrees not to file a lawsuit to assert such claims. Executive also agrees that if Executive breaches this provision, Executive will be liable for all costs and attorneys' fees incurred by any Releasee resulting from such action and shall pay all expenses incurred by a Releasee in defending any proceeding pursuant to this Section 3(b) as they are incurred by the Releasee in advance of the final disposition of such proceedings, together with any tax liability incurred by the Releasee in connection with the receipt of such amounts; provided, however, that the payment of such expenses incurred in advance of the final disposition of such proceeding shall be made only upon delivery to the Executive of an undertaking, by or on behalf of the Releasee, to repay all amounts so advanced to the extent the arbitrator in such proceeding affirmatively determines that the Executive is the prevailing party, taking into account all claims made by any party to such proceeding.

4. By signing this document, Executive is also expressly waiving the provisions of California Civil Code section 1542, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."
>
> By signing this document, Executive agrees and understands that Executive is releasing unknown as well as known claims related to Executive's employment in exchange for the compensation set forth above.

5. Executive agrees to maintain in complete confidence the terms of this Release, except as it may be necessary to comply with a legally compelled request for information. It is agreed since confidentiality of this Release is of the essence, damages for violation being impossible to assess with precision, that $10,000 is a fair estimate of the damage caused by each disclosure and is agreed to as the measure of damages for each violation.

6. Executive agrees that for a period of two years after termination of his employment, he shall not, for himself or any third party, directly or indirectly solicit for employment any person employed by the Employer, or any of its affiliates, during the period of such person's employment and for a period of one year after the termination of such person's employment with the Employer.

7. Executive's execution of this General Release and the absence of an effective revocation of such General Release by Executive shall constitute Executive's resignation from all offices, directorships and other positions then held with the Employer or any of its affiliates, and any other position held for the benefit of or at the request of the Employer or any of its affiliates, and Executive hereby agrees that this General Release constitutes such resignation. Executive also agree to execute a confirmatory letter of resignation if requested.

8. Executive hereby acknowledges and agrees that all personal property and equipment furnished to or prepared by the Executive in the course of or incident to his employment, belong to the Employer and shall, if physically returnable, be promptly returned to the Employer upon termination of his employment. "Personal property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, computer media or materials, or copies thereof, and Proprietary Information. Following termination, the Executive will not retain any written or other tangible material containing any Proprietary Information. "Proprietary Information" is all information and any idea in whatever form, tangible or intangible, pertaining in any manner to the business of the Employer or any its affiliates, or to its clients, consultants, or business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in the Executive's possession or part of his general knowledge prior to his employment by the Employer; or (iii) the information is disclosed to the Executive without confidential or proprietary restriction by a third party who rightfully possesses the information (without confidential or proprietary restriction) and did not learn of it, directly or indirectly, from the Employer.

9. Following termination, Executive will continue to abide by the Employer's policy that prohibits discussing any aspect of the Employer's business with representatives of the press without first obtaining the permission of the Employer's Public Relations Department.

10. Nothing in this General Release is intended to limit any remedy of the Employer under the California Uniform Trade Secrets Act (California Civil Code Section 3426), or otherwise available under law.

11. The provisions of this General Release are severable and in the event that a court of competent jurisdiction determines that any provision of this General Release is in violation of any law or public policy, in whole or in part, only the portions of this General Release that violate such law or public policy shall be stricken. All portions of this General Release that do not violate any statute or public policy shall not be affected thereby and shall continue in full force and effect. Further, any court order striking any portion of this General Release shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intent of the Employer and Executive under this General Release.

12. Executive agrees to indemnify and hold Employer harmless from and against any tax obligations for which Executive may become liable as a result of this Release and/or payments made pursuant to the Severance Plan, other than tax obligations of the Employer resulting from the nondeductibility of any payments made pursuant to this Release or the Severance Plan.

13. Agreeing to this Release shall not be deemed or construed by either party as an admission of liability or wrongdoing by either party.

14. This Release, the Severance Plan and the plans of The Clorox Company referred to in the Severance Plan set forth the entire agreement between Executive and the Employer. This Release is not subject to modification except in writing executed by both of the parties. The Clorox Company plan documents of plans referred to in the Severance Plans may be amended in accordance with the provisions of those plans.

Executive acknowledges by signing below that Executive has not relied upon any representations, written or oral, not set forth in this Release.

Executive

Dated:

THE CLOROX COMPANY

By:

Dated:

Exhibit 21.1

Name of Company	Jurisdiction of Incorporation
1221 Olux, LLC	Delaware
6570 Donlon Group, LLP	Delaware
A & M Products Manufacturing Company	Delaware
Andover Properties, Inc.	Delaware
The Armor All/STP Products Company	Delaware
Brita (Switzerland) S. a. r. l.	Switzerland
Brita Canada Corporation	Nova Scotia
Brita Canada Holdings Corporation	Nova Scotia
Brita GP	Ontario
Brita LP	Ontario
Brita Manufacturing Company	Delaware
The Brita Products Company	Delaware
Caltech Industries, Inc.	Michigan
Chesapeake Assurance Limited	Hawaii
Burt’s Bees, Inc.	Delaware
Burt’s Bees International Holdings	Delaware
Burt's Bees Canada ULC	Canada
Burt's Bees (Europe) Ltd.	United Kingdom
Burt's Bees Australia Pty Ltd.	Australia
Bees International Corporation	Japan
Clorox Africa Holdings (Proprietary) Ltd.	South Africa
Clorox Africa (Proprietary) Ltd.	South Africa
Clorox Argentina S.A.	Argentina
Clorox Australia Pty. Ltd.	Australia
Clorox (Barbados) Inc.	Barbados
Clorox Brazil Holdings LLC	Delaware
Clorox (Cayman Islands) Ltd.	Cayman Islands
Clorox de Centro America, S.A.	Costa Rica
Clorox Chile S.A.	Chile
Clorox China (Guangzhou) Ltd.	Guangzhou, P.R.C.
Clorox de Colombia S.A.	Colombia
Clorox Commercial Company	Delaware
The Clorox Company of Canada Ltd.	Canada (Federal)
Clorox Diamond Production Company	Delaware
Clorox Dominicana, C. por A.	Dominican Republic
Clorox Eastern Europe LLC	Russia
Clorox Eastern Europe Holdings LLC	Delaware
Clorox del Ecuador S.A. Ecuaclorox	Ecuador
Clorox (Europe) Financing S.a.r.l.	Luxembourg
Clorox Europe Limited	United Kingdom
Clorox Germany GmbH	Germany
Clorox Holdings Pty. Limited	Australia
Clorox Hong Kong Limited	Hong Kong
Clorox Hungary Liquidity Management Kft	Hungary
The Clorox International Company	Delaware
Clorox International Philippines, Inc.	The Philippines

Name of Company	Jurisdiction of Incorporation
Clorox Luxembourg S.a.r.l.	Luxembourg
Clorox Manufacturing Company of Puerto Rico, Inc.	Puerto Rico
Clorox (Malaysia) Sdn. Bhd.	Malaysia
Clorox Mexicana S. de R.L. de C.V.	Mexico
Clorox de Mexico, S.A. de C.V.	Mexico
Clorox Netherlands B.V.	The Netherlands
Clorox New Zealand Limited	New Zealand
Clorox de Panama S.A.	Panama
Clorox Peru S.A.	Peru
The Clorox Outdoor Products Company	Delaware
The Clorox Pet Products Company	Texas
Clorox Professional Products Company	Delaware
The Clorox Sales Company	Delaware
Clorox Services Company	Delaware
Clorox Servicios Corporativos S. de R.L. de C.V.	Mexico
Clorox (Switzerland) S.a.r.l.	Switzerland
Clorox Uruguay S.A.	Uruguay
The Consumer Learning Center, Inc.	Delaware
Corporacion Clorox de Venezuela, S.A.	Venezuela
CLX Realty Co.	Delaware
Evolution Sociedad S.A.	Uruguay
Fabricante de Productos Plasticos, S.A. de C.V.	Mexico
First Brands (Bermuda) Limited	Bermuda
First Brands do Brasil Ltda.	Brazil
First Brands Corporation	Delaware
First Brands Mexicana, S.A. de C.V.	Mexico
Fully Will Limited	Hong Kong
Gazoontite, LLC	Delaware
Glad Manufacturing Company	Delaware
The Glad Products Company	Delaware
The Household Cleaning Products Company of Egypt Ltd.	Egypt
The HV Food Products Company	Delaware
HV Manufacturing Company	Delaware
Invermark S.A.	Argentina
Jingles LLC	Delaware
Kaflex S.A.	Argentina
Kingsford Manufacturing Company	Delaware
The Kingsford Products Company, LLC	Delaware
Lerwood Holdings Limited	British Virgin Islands
The Mexco Company	Delaware
National Cleaning Products Company Limited	Saudi Arabia
Paulsboro Packaging Inc.	New Jersey
Petroplus Produtos Automotivos S.A.	Brazil
Petroplus Sul Comercio Exterior S.A.	Brazil
Quimica Industrial S. A.	Chile
Round Ridge Production Company	Delaware
STP do Brasil Ltda.	Brazil
STP Products Manufacturing Company	Delaware
United Cleaning Products Manufacturing Company Limited	Yemen
Yuhan-Clorox Co., Ltd.	Korea

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements:

(1) Registration Statements (Form S-3 Nos. 333-75455, 333-137974, and 333-146472) and in the related Prospectus of The Clorox Company, and

(2) Registration Statements (Form S-8 Nos. 33-41131, including post effective amendments No. 1 and No. 2, 33-56565, 33- 56563, 333-29375, 333-16969, 333-44675, 333-86783, 333-131487, 333-69455, including post effective amendment No. 1, and 333-90386) of The Clorox Company;

of our reports dated August 25, 2010, with respect to the consolidated financial statements and schedule of The Clorox Company, and the effectiveness of internal control over financial reporting of The Clorox Company, included in this Annual Report (Form 10-K) for the year ended June 30, 2010.

/s/ Ernst & Young LLP

San Francisco, California
August 25, 2010

Exhibit 23.2

August 25, 2010

The Board of Directors
The Clorox Company
1221 Broadway
Oakland, CA 94612

Ladies and Gentlemen:

Notes 1 and 7 of Notes to the Consolidated Financial Statements of The Clorox Company (the "Company") included in its Form 10-K for the year ended June 30, 2010 describes a change regarding the date of the Company's annual goodwill and indefinite-lived intangible assets impairment assessment from the first day of the third quarter to the first day of the fourth quarter. There are no authoritative criteria for determining which date is preferable based on the particular circumstance; however, we conclude that such change is acceptable and, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances.

Very truly yours,

/s/ Ernst & Young LLP

Exhibit 31.1

CERTIFICATION

I, Donald R. Knauss, certify that:

1. I have reviewed this annual report on Form 10-K of The Clorox Company;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2010

/s/ Donald R. Knauss

Donald R. Knauss
Chairman and Chief Executive Officer

<u>Exhibit 31.2</u>

CERTIFICATION

I, Daniel J. Heinrich, certify that:

1. I have reviewed this annual report on Form 10-K of The Clorox Company;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2010

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Executive Vice President - Chief Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-K for the period ended June 30, 2010, as filed with the Securities and Exchange Commission (the "Report"), we, Donald R. Knauss, Chief Executive Officer of the Company, and Daniel J. Heinrich, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 25, 2010

/s/ Donald R. Knauss

Donald R. Knauss
Chairman and Chief Executive Officer

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Executive Vice President – Chief Financial Officer

Exhibit 99.1

**Management's Discussion and Analysis of Financial Condition and Results of Operations,
Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting
and Reports of Independent Registered Public Accounting Firm**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The Clorox Company
(Dollars in millions, except per share amounts)

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of the Company's financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. The MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Financial Position and Liquidity
- Contingencies
- Quantitative and Qualitative Disclosure about Market Risk
- New Accounting Pronouncements
- Critical Accounting Policies and Estimates

EXECUTIVE OVERVIEW

The Clorox Company (the Company or Clorox) is a leading manufacturer and marketer of consumer and institutional products with approximately 8,300 employees worldwide and fiscal year 2010 net sales of $5,534. The Company sells its products primarily through mass merchandisers, grocery stores and other retail outlets. Clorox markets some of consumers' most trusted and recognized brand names, including its namesake bleach and cleaning products, Green Works ® natural cleaners and laundry products, Poett ® and Mistolín ® cleaning products, Armor All ® and STP ® auto-care products, Fresh Step ® and Scoop Away ® cat litter, Kingsford ® charcoal, Hidden Valley ® and K C Masterpiece ® dressings and sauces, Brita ® water-filtration systems, Glad ® bags, wraps and containers, and Burt's Bees ® natural personal care products. The Company manufactures products in more than two dozen countries and markets them in more than 100 countries.

The Company primarily markets its leading brands in midsized categories considered to have attractive economic profit potential. Most of the Company's products compete with other nationally-advertised brands within each category and with "private label" brands and "generic" nonbranded products.

Strategic Initiatives

The Company has developed a strategy to guide it through its 100-year anniversary in 2013. As part of its strategy, the Company has established two main objectives: 1) to maximize economic profit across its categories, sales channels and countries; and 2) to be the best at building big-share brands in economically-attractive midsized categories.

The Company has established financial goals to measure its progress against its strategy. These goals include 3% to 5% annual sales growth before acquisitions and 75 to 100 basis points of annual improvement in earnings before interest and taxes margin. Additionally, the Company has plans to carefully manage the growth of its asset base. If these financial goals are achieved, the Company believes it can realize double-digit percentage economic profit growth (See “Economic Profit” below) and free cash flow (See “Free cash flow” below) of 10% to 12% of net sales or more.

The Company plans to achieve these financial goals through its leading product portfolio and by leveraging its capabilities in the areas of the consumer, the customer and cost management. From a portfolio perspective, the Company plans to achieve its growth objectives both in and beyond its core categories. The Company is focused on creating value by investing in new and existing categories and products with profitable growth potential, particularly those categories and products aligned with global consumer trends in the areas of health and wellness, sustainability, affordability and appealing to a multicultural marketplace. To accomplish this, the Company is focusing on growing existing brands, expanding into adjacent product categories, entering new sales channels, increasing distribution within existing countries and pursuing new businesses in growing markets where the Company can profitably establish and sustain a competitive advantage.

The Company will continue to leverage and grow its capabilities in demand creation and strengthen consumer loyalty to its brands through its three strategic capabilities: Desire, Decide and Delight.

Desire is about deeply understanding consumers’ needs and creating integrated prepurchase communications that increase consumers’ awareness about how the Company’s brands meet their needs;

Decide is about winning at the store shelf, through superior packaging and execution of product assortment, merchandising, pricing and shelving; and

Delight is about continuing to offer high-quality, consumer-preferred products that exceed expectations, so the consumers will continue to purchase the Company’s products.

The Company will also continue to aggressively focus on consumer value, trade merchandising, pricing, product mix and cost management to enhance its margins and to offset the impact of volatile foreign currencies and commodity costs.

Fiscal Year 2010 Summary

Financial Highlights

The Company reported net earnings for the fiscal year ended June 30, 2010, of $603 and diluted net earnings per share of $4.24 based on weighted average diluted shares outstanding of approximately 142 million. This compares to net earnings for the fiscal year ended June 30, 2009, of $537 and diluted net earnings per share of $3.79 based on weighted average diluted shares outstanding of approximately 140 million. Restructuring and restructuring-related charges were $0.08 per diluted share for the fiscal year ended June 30, 2010 (See "Restructuring and asset impairment costs" below), as compared with $0.18 per diluted share for the fiscal year ended June 30, 2009. The negative impact of foreign currency exchange was $0.25 per diluted share, of which $0.24 related to the Venezuela currency devaluation for the fiscal year ended June 30, 2010, as compared with $0.13 per diluted share, of which $0.09 related to Venezuela, for the fiscal year ended June 30, 2009.

In fiscal year 2010, the Company continued to face a challenging business and consumer environment. Additionally, the Company's net sales, gross margins and diluted net earnings per share in fiscal year 2010 were negatively impacted by the Venezuela currency devaluation. The Company addressed these challenges through pricing, primarily in international markets , product innovation and product improvements which meet consumer demands, delivering value to consumers and cost structure management.

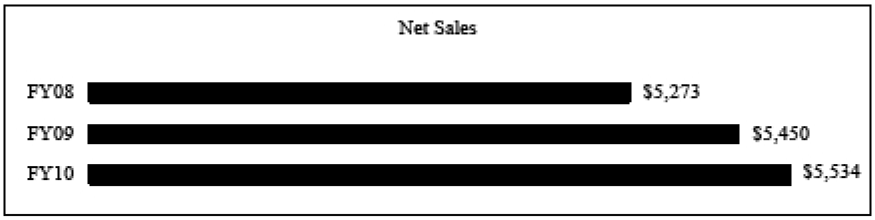
Certain key fiscal year 2010 developments are summarized as follows:

- The Company reported diluted net earnings per share of $4.24, an increase of approximately 12% from fiscal year 2009 diluted net earnings per share of $3.79.
- Net earnings were impacted by foreign currency losses of $0.24 per diluted share related to the Venezuela currency devaluation.
- The Company delivered sales growth of 2% and an increase in cash flow from operations of 11%.
- The Company responded to cost pressures by aggressively managing costs through initiatives which generated approximately $100 of cost savings in gross profit.
- The Company increased gross margin to 44.8% in fiscal year 2010 from 43% in fiscal year 2009. The growth came primarily from cost savings (180 basis points) and pricing (90 basis points), partially offset by other factors (70 basis points).
- In November 2009, the Company issued $300 of long-term debt in senior notes. Proceeds from this debt issuance were used to repay commercial paper.
- In fiscal year 2010, $598 of debt was paid. The Company funded the debt repayment with commercial paper and operating cash flows.
- In January 2010, the Company acquired Caltech Industries, Inc., a company that provides disinfectants for the health care industry.

RESULTS OF OPERATIONS

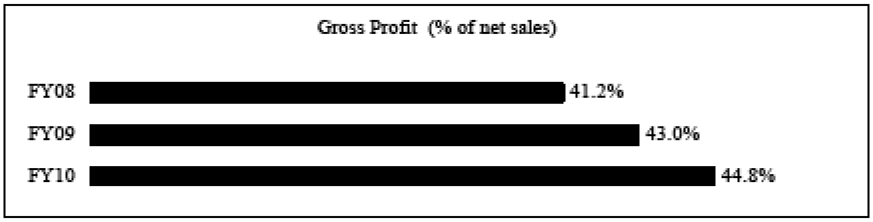
Management's discussion and analysis of the Company's results of operations, unless otherwise noted, compares fiscal year 2010 to fiscal year 2009, and fiscal year 2009 to fiscal year 2008, using percent changes calculated on a rounded basis, except as noted. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion. In addition, the discussion of results of worldwide operations includes certain measures not defined by accounting principles generally accepted in the United States of America (non-GAAP measures), including economic profit and free cash flow as a percentage of net sales. Management believes these measures provide investors with additional information about the underlying results and trends of the Company. Information about these non-GAAP measures is set forth in the paragraphs in which they are discussed.

CONSOLIDATED RESULTS



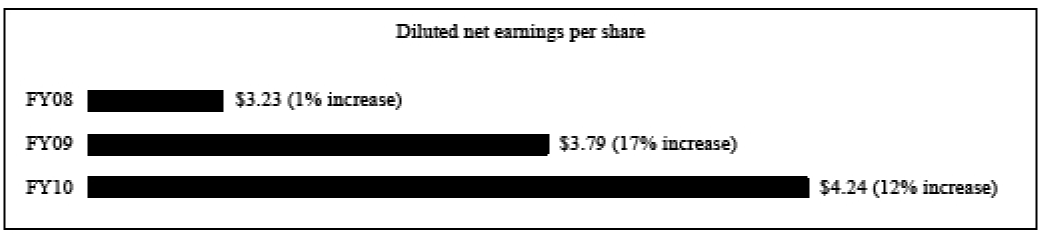
Net sales in fiscal year 2010 increased 2% compared to the prior period. Volume increased 3%, primarily due to increased shipments of Clorox Disinfecting Wipes ® and other disinfecting products to meet demand associated with the H1N1 flu pandemic, increased shipments of Hidden Valley ® salad dressings and Kingsford ® charcoal products due to promotional activities and increased shipments of Pine-Sol ® cleaner due to increased distribution and promotional activities. Also contributing to the volume growth were increased shipments of Fresh Step ® cat litter due to promotional activities and higher shipments of bleach and other disinfecting and fragranced cleaning products in Latin America due to increased demand largely as a result of the H1N1 flu pandemic. These increases were partially offset by lower shipments of Glad ® food storage products due to competitive activity, category softness and the Company's exit from a private label food bags business and lower shipments of STP ® auto-care products due to reduced promotional activities. Volume outpaced net sales growth primarily due to increased trade-promotion spending (approximately 130 basis points) and other factors, including the negative impact of foreign currencies (approximately 110 basis points), partially offset by pricing (approximately 140 basis points).

Net sales in fiscal year 2009 increased 3% compared to the prior period. Volume decreased 1%, primarily due to the impact of price increases and the exit from a private-label food bags business. These factors were partially offset by increased shipments of Burt's Bees ® products, Green Works ® natural cleaner and laundry products, home-care products in Latin America, Brita ® water filtration products, Clorox 2 ® stain fighter and color booster, which was relaunched with a concentrated formula, and Hidden Valley ® salad dressings. Net sales growth outpaced volume growth primarily due to price increases (approximately 500 basis points), partially offset by the negative impact of foreign exchange rates (approximately 200 basis points) primarily as a result of the appreciation of the U.S. dollar against foreign currencies in Australia, Canada, Argentina, Chile, Mexico, New Zealand and Colombia.



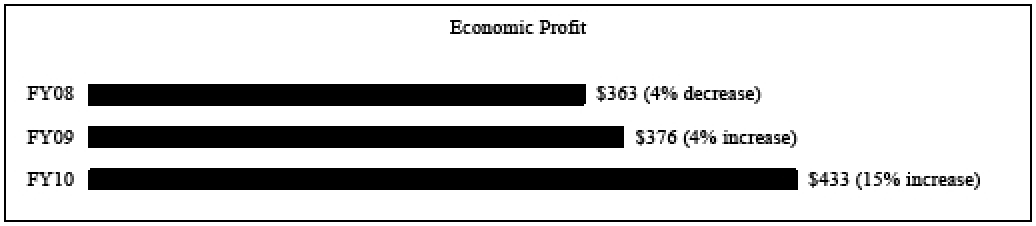
Gross profit increased 6% in fiscal year 2010, from $2,346 to $2,477, and increased as a percentage of net sales to 44.8%. Gross margin expansion in fiscal year 2010 reflects approximately 180 basis points from cost savings and 90 basis points from pricing, partially offset by 70 basis points from other factors including the impact of manufacturing and logistics costs, unfavorable foreign exchange rates and the impact of unfavorable product mix.

Gross profit increased 8% in fiscal year 2009, from $2,175 to $2,346, and increased as a percentage of net sales to 43.0%. Gross margin expansion in fiscal year 2009 reflects approximately 280 basis points from pricing and 220 basis points from cost savings. These positive factors were offset by 170 basis points from the impact of increased commodity costs, primarily resin and agricultural commodities and 160 basis points from higher energy-related manufacturing and logistics costs, including the cost of diesel fuel.



Diluted net earnings per share increased by $0.45 in fiscal year 2010 due primarily to higher net earnings. The increase in net earnings was primarily due to price increases and the benefits of cost savings, lower interest expense and lower restructuring and restructuring-related charges. These factors were partially offset by the negative impact of inflationary pressure in Latin America, higher employee incentive compensation accruals, higher advertising costs and unfavorable foreign exchange rates.

Diluted net earnings per share increased by $0.57 in fiscal year 2009 due primarily to higher net earnings. The increase in net earnings was primarily due to price increases and the benefit of cost savings and lower interest expense and restructuring-related charges in the fiscal year partially offset by the higher costs for commodities, manufacturing and logistics and the negative impact of foreign exchange rates.



Economic Profit (EP) is a non-GAAP measure used by the Company's management to evaluate business performance and allocate resources, and is a component in determining management's incentive compensation and the Company's contribution to employee profit sharing plans (for a detailed reconciliation of EP to earnings before income taxes of $925, the most comparable GAAP financial measure, refer to Exhibit 99.3). EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit. EP is defined by the Company as earnings from continuing operations before income taxes, noncash restructuring–related and asset impairment costs and interest expense; it is tax effected, and less a capital charge. EP increased 15% during fiscal year 2010 primarily due to higher earnings and lower interest expense. EP increased 3.6% during fiscal year 2009 primarily due to higher earnings, partially offset by the dilutive near-term effect of the increase in invested capital due to the acquisition of Burt's Bees.

Free cash flow is a non-GAAP measure used by the Company's management to help assess funds available for investing activities, such as acquisitions, investing in the business to drive growth, and financing activities, including debt payments, dividend payments and share repurchases. Free cash flow is calculated as cash provided by operations less capital expenditures. Free cash flow does not represent cash available only for discretionary expenditures, since the Company has mandatory debt service requirements and other contractual and non-discretionary expenditures.

	2010	**2009**	**2008**
Net cash provided by operations	**$ 819**	$ 738	$ 730
Less: capital expenditures	**(203)**	(197)	(170)
Free cash flow	**$ 616**	$ 541	$ 560
Free cash flow as a percentage of net sales	**11.1%**	9.9%	10.6%

Free cash flow as a percentage of net sales increased in fiscal year 2010 primarily due to higher net earnings and an increase in accrued liabilities, mainly driven by higher employee benefit accruals largely related to an increase in incentive compensation and a change in the timing of salary payments for a substantial number of the Company's employees from semi-monthly to biweekly pay. These factors were partially offset by decreases in receipts of accounts receivable, primarily due to a change in credit terms for certain of the Company's Auto business customers. Also offsetting the increase was a $15 increase in pension plan contributions.

Free cash flow as a percentage of net sales decreased in fiscal year 2009 primarily due to higher capital spending driven primarily by the Company's manufacturing network consolidation efforts and increased investments in information systems.

Expenses

				Change		% of Net Sales		
	2010	**2009**	**2008**	**2010 to 2009**	**2009 to 2008**	**2010**	**2009**	**2008**
Selling and administrative expenses	**$ 747**	$ 715	$ 690	4 %	4 %	**13.5 %**	13.1 %	13.2 %
Advertising costs	**518**	499	486	4	3	**9.4**	9.2	9.8
Research and development costs	**119**	114	111	4	3	**2.2**	2.1	2.2

Selling and administrative expenses increased in fiscal year 2010 due to inflationary pressure in Latin America that contributed approximately 3% of the increase, higher employee incentive compensation accruals, investments in information technology systems, unfavorable foreign exchange rates, the international expansion of Burt's Bees and higher legal costs. These costs were partially offset by cost savings from the Company's restructuring activities.

Selling and administrative expenses increased in fiscal year 2009 due to the acquisition of Burt's Bees, which contributed 3%, and an increase in International selling and administrative expenses primarily due to inflationary pressure in Latin America, which contributed 2%. These costs were partially offset by lower short-term incentive compensation costs.

Advertising costs increased in fiscal year 2010 as the Company continues to support its established brands, including new initiatives in Latin America, promotional activities behind Clorox 2 ® stain fighter and color booster, and support of its new products, including Green Works ® natural laundry detergent.

Advertising costs increased in the prior fiscal year as the Company continued to support its established brands and new products, including Burt's Bees and Green Works ® natural cleaning products.

Research and development costs increased in fiscal year 2010 primarily due to continued expansion of Green Works ® natural cleaning products and the Company's continued support of product improvements and innovations.

Research and development costs increased in the prior fiscal year primarily due to Burt's Bees and the Company's continued support of product improvements and innovations.

Restructuring and asset impairment costs, interest expense, other expense (income), net and the effective tax rate

	2010	2009	2008
Restructuring and asset impairment costs	**$ 4**	$ 20	$ 36
Interest expense	**139**	161	168
Other expense (income), net	**25**	26	(9)
Income taxes	**322**	274	232

Restructuring and asset impairment costs were **$** 4 **,** $20 and $36 in fiscal years 2010, 2009 and 2008, respectively, and were related to the Company's Supply Chain and Other restructuring initiatives. In fiscal year 2008, the Company began this restructuring plan that involves simplifying its supply chain and other restructuring activities (Supply Chain and Other restructuring plan), which was subsequently expanded to reduce certain staffing levels, resulting in additional costs, primarily severance, associated with this activity. The Company anticipates the Supply Chain and Other restructuring plan will be completed in fiscal year 2012. The Company may, from time to time, decide to pursue additional restructuring-related initiatives to drive cost savings and efficiencies.

The following table summarizes the restructuring costs, primarily severance, associated with the Company's Supply Chain and Other restructuring plan by affected reportable segment, with unallocated amounts set forth in Corporate, for fiscal years 2010, 2009 and 2008:

	2010	2009	2008
Cleaning	**$ 2**	$ 3	$ 3
Household	**2**	-	-
International	**-**	2	2
Corporate	**-**	12	2
Total Company	**$ 4**	$ 17	$ 7

The Company incurred no asset impairment costs for the fiscal year ended June 30, 2010. Asset impairment costs for the fiscal year ended June 30, 2009, were $3 in the Household segment. Asset impairment costs for the fiscal year ended June 30, 2008 were $3, $22 and $4 in the Cleaning, Household and International segments, respectively.

The following table summarizes restructuring-related costs, primarily cost of products sold, associated with the Company's Supply Chain and Other restructuring plan by affected reportable segment, with unallocated amounts set forth in Corporate:

	2010	2009	2008
Cleaning	**$ 6**	$ 11	$ 9
Household	**4**	5	10
International	**-**	1	3
Corporate	**3**	2	1
Total Company	**$ 13**	$ 19	$ 23

Total non-cash costs for fiscal years 2010, 2009 and 2008 were $4, $10 and $48.

The Company anticipates incurring approximately $13 to $19 of Supply Chain and Other restructuring and restructuring-related charges in fiscal year 2011, of which approximately $6 are expected to be non-cash. The Company anticipates approximately $2 to $4 of restructuring-related charges in selling and administrative expenses in Corporate and $4 to $6 of cost of products sold charges to be in the Cleaning segment and $7 to $9 in the Household segment, respectively. The total anticipated charges related to the Supply Chain and Other restructuring plan for fiscal year 2012 are estimated to be approximately $5 to $7. The projected annual cost savings at the completion of this restructuring is expected to be approximately $32. The Company expects to incur additional restructuring-related charges of approximately $10 in fiscal year 2012.

The following table reconciles the accrual for the Supply Chain and Other restructuring charges discussed above:

	Severance	Asset Impairments	Accumulated Depreciation	Other	Total
Accrual Balance as of June 30, 2007	$ -	$ -	$ -	$ -	$ -
2008 Charges	7	29	20	3	59
Cash payments	(2)	-	-	(3)	(5)
Charges against assets	-	(29)	(20)	-	(49)
Accrual Balance as of June 30, 2008	5	-	-	-	5
2009 Charges	17	3	8	11	39
Cash payments	(7)	-	-	(11)	(18)
Charges against assets	-	(3)	(8)	-	(11)
Accrual Balance as of June 30, 2009	15	-	-	-	15
2010 Charges	7	-	4	9	20
Cash payments	(16)	-	-	(9)	(25)
Adjustments	(3)	-	-	-	(3)
Charges against assets	-	-	(4)	-	(4)
Accrual Balance as of June 30, 2010	$ 3	$ -	$ -	$ -	$ 3

Interest expense decreased $22 and $7 in fiscal years 2010 and 2009, respectively, primarily due to a lower weighted average interest rate paid on commercial paper and a decline in average debt balances.

Other expense (income), net of $25 in fiscal year 2010 included net foreign exchange transaction and re-measurement losses of $26 primarily related to the Company's subsidiary in Venezuela, the amortization of intangibles of $9 and other expenses of $1. Partially offsetting these expenses were equity earnings in unconsolidated affiliates of $9 and interest income of $3.

Other expense, net of $26 in fiscal year 2009 included net foreign exchange transaction losses of $28, expenses from the Company's investment in low-income housing partnerships of $3 and the amortization of intangibles of $7. Partially offsetting these expenses were equity earnings in unconsolidated affiliates of $8 and interest income of $4.

Other income, net of $9 in fiscal year 2008 included interest income of $12 and equity earnings in unconsolidated affiliates of $8. Partially offsetting this income were expenses from the Company's investment in low-income housing partnerships and other investment losses of $7, amortization of intangible assets of $7 and net foreign exchange transaction losses of $2.

The effective tax rate was 34.8%, 33.8% and 33.6% in fiscal years 2010, 2009 and 2008, respectively. The fiscal year 2010 tax rate was higher than in fiscal year 2009 primarily due to favorable tax settlements in fiscal year 2009.

The fiscal year 2009 tax rate was slightly higher than in fiscal year 2008 due to higher net federal tax on accumulated foreign earnings in fiscal year 2009 and a decrease in net valuation allowances in fiscal year 2008, partially offset by higher net accruals for uncertain tax positions in fiscal year 2008.

Segment Results

The following presents the results of operations from the Company's reportable segments excluding certain unallocated costs included in Corporate (See Note 21 for a reconciliation of segment results to the total company results):

CLEANING

				Change	
	2010	**2009**	**2008**	**2010 to 2009**	**2009 to 2008**
Net sales	**$ 1,838**	$ 1,836	$ 1,817	- %	1 %
Earnings before income taxes	**440**	410	360	7	14

Fiscal year 2010 versus fiscal year 2009: Net sales were flat while volume and earnings before income taxes increased during fiscal year 2010. Volume growth of 3% was primarily due to increased shipments of Clorox Disinfecting Wipes ® and other disinfecting products to meet demand associated with the H1N1 flu pandemic. Also contributing to the volume growth were increased shipments of Pine-Sol ® cleaner and Clorox ® toilet bowl cleaners due to increased distribution and promotional activities and increased shipments of Armor All ® auto-care products due to price declines. These increases were partially offset by lower shipments of STP ® auto-care products due to reduced promotional activities and the Green Works ® line of natural cleaners due to category softness. Volume outpaced net sales growth primarily due to unfavorable product mix (approximately 220 basis points) and increased trade-promotion spending (approximately 150 basis points). The increase in earnings before income taxes was primarily driven by cost savings of $34, due to network consolidations and various manufacturing efficiencies, and favorable commodity costs of $16, primarily resin and chlor-alkali. These increases were partially offset by the impact of unfavorable product mix of $24.

The Company is exploring strategic options to optimize value of its auto-care products business. Those options could include a sale of that business or could involve retaining the business in its current configuration , although no decisions have been made at this time .

Fiscal year 2009 versus fiscal year 2008: Net sales and earnings before income taxes increased while volume declined, as anticipated, during fiscal year 2009. Volume decline of 5% was primarily due to price increases across a wide-range of products, the most significant of which related to Pine-Sol ® dilutable cleaners and Tilex ® brands. The volume decline was partially offset by increased shipments of the Green Works ® line of natural cleaners since the launch in January 2008, including the expansion into liquid dish soap and cleaning wipes, increased shipments of Clorox 2 ® stain fighter and color booster, which was relaunched with a concentrated formula, and increased shipments of Clorox ® disinfecting wipes primarily due to increased merchandising events and the H1N1 flu virus outbreak. Net sales outpaced the change in volume primarily due to price increases (approximately 400 basis points). The increase in earnings before income taxes was primarily driven by cost savings of $53, including more efficient sourcing of raw materials and transportation costs, the implementation of cost-effective packaging for Clorox 2 ® stain fighter and color booster and the simplification of packaging materials for spray cleaning products. Also contributing to the increase was the impact of price increases of $45, partially offset by higher commodity costs of $34, primarily resin, and manufacturing and logistics costs of $30, including the cost of diesel fuel.

HOUSEHOLD

				Change	
	2010	**2009**	**2008**	**2010 to 2009**	**2009 to 2008**
Net sales	**$ 1,663**	$ 1,726	$ 1,698	(4) %	2 %
Earnings before income taxes	**290**	289	225	-	28 %

Fiscal year 2010 versus fiscal year 2009: Earnings before income taxes were flat while net sales and volume decreased during fiscal year 2010. Volume decline of 1% was primarily driven by lower shipments of Glad ® food-storage products primarily due to competitive activity, category softness and the Company's exit from a private label food bags business, partially offset by increased shipments of Kingsford ® charcoal products and Fresh Step ® cat litter, due to increased promotional activities. The variance between the change in net sales and the change in volume is primarily due to price declines on Glad ® trash bags implemented in the previous fiscal year (approximately 230 basis points) and increased trade-promotion spending in response to competitive activity (approximately 150 basis points). Earnings before income taxes was flat and reflects cost savings of $38 primarily associated with the Company's diversification of its supplier base and various manufacturing efficiencies, partially offset by a $26 impact of price declines on Glad ® trash bags implemented in the previous fiscal year.

Fiscal year 2009 versus fiscal year 2008: Net sales and earnings before income taxes increased during fiscal year 2009, while volume decreased. Volume decline of 4% was primarily due to the exit from a private-label food bags business, which resulted in a 3% decline, and the impact of price increases, partially offset by increased shipments of Kingsford ® charcoal products. Net sales growth outpaced the change in volume primarily due to price increases (approximately 540 basis points). Earnings before income taxes increased primarily due to the impact from price increases of $48 and cost savings of $44 primarily associated with the Company's diversification of its supplier and transportation providers, the implementation of cost-effective packaging and various manufacturing efficiencies. Also contributing to the increase was lower restructuring-related charges of $24. These were partially offset by $22 of increased manufacturing and logistics costs, primarily diesel fuel, and $22 of increased commodity costs, primarily wood-based raw materials, solvent, starch and resin.

LIFESTYLE

				Change	
	2010	2009	2008	2010 to 2009	2009 to 2008
Net sales	**$ 864**	$ 813	$ 676	6 %	20 %
Earnings before income taxes	**303**	270	205	12	32 %

Fiscal year 2010 versus fiscal year 2009: Volume, net sales and earnings before income taxes increased during fiscal year 2010. Volume growth of 9% was primarily driven by increased shipments of Hidden Valley ® salad dressings due to promotional activities, Brita ® pour-through water-filtration products due to merchandising and Burt's Bees ® natural personal care products due to international expansion. Volume growth outpaced net sales growth primarily due to increased trade-promotion spending (approximately 140 basis points) and product mix (approximately 140 basis points). The increase in earnings before income taxes was primarily due to higher sales, favorable commodity costs, primarily soybean oil, of $14 and cost savings of $8, partially offset by higher advertising costs of $11.

Fiscal year 2009 versus fiscal year 2008: Volume, net sales and earnings before income taxes increased during fiscal year 2009. Volume growth was 16% of which 11% was due to increased shipments of Burt's Bees ® products primarily driven by the full year impact of Burt's Bees, which was acquired on November 30, 2007. Also contributing to the increase were higher consumption of Brita ® products, primarily due to increased demand for a more cost-effective and environmentally-friendly alternative to bottled water and higher shipments of food products, primarily due to increased consumption of Hidden Valley ® salad dressing. Net sales outpaced volume growth primarily due to the impact of price increases (approximately 500 basis points). The increase in earnings before income taxes was primarily due to favorable product mix of $35 and the step-up in inventory values associated with purchase accounting for Burt's Bees of $19 in fiscal year 2008. The net impact of all other factors of $13, which includes the impact of pricing, cost savings, which include more efficient sourcing of raw materials and the implementation of various manufacturing efficiencies, and increased advertising.

INTERNATIONAL

	2010	2009	2008	Change 2010 to 2009	Change 2009 to 2008
Net sales	**$ 1,169**	$ 1,075	$ 1,082	9 %	(1) %
Earnings before income taxes	**172**	140	177	23 %	(21) %

Fiscal year 2010 versus fiscal year 2009: Net sales, volume and earnings before income taxes increased during fiscal year 2010. Volume growth of 2% was primarily driven by increased shipments of bleach and other disinfecting and fragranced cleaning products in Latin America due to increased demand largely as a result of the H1N1 flu pandemic. Net sales growth outpaced volume growth primarily due to the impact of price increases (approximately 1,040 basis points), partially offset by the impact of unfavorable foreign exchange rates (approximately 200 basis points). The increase in earnings before income taxes during fiscal year 2010 was primarily due to the impact of price increases of $113 and cost savings of $21, which include more efficient sourcing of raw materials and the consolidation of certain manufacturing facilities. This was partially offset by $53 of foreign currency exchange losses in Venezuela consisting of $19 of translation losses, $24 of transaction losses resulting from converting local currency to U.S. dollars using the parallel market currency exchange rate for inventory purchases, and $10 of re-measurement losses. Also contributing to the offset was $16 of higher advertising costs, primarily to support new initiatives in Latin America, and $13 of higher selling and administrative expenses, primarily due to inflationary pressures in Latin America.

Fiscal year 2009 versus fiscal year 2008: Volume increased while net sales and earnings before income taxes decreased during fiscal year 2009. Volume growth of 2% was primarily driven by increased shipments of laundry and home-care products in Latin America principally due to higher consumption and the H1N1 flu outbreak. Volume growth outpaced the change in net sales primarily due to the impact of unfavorable foreign exchange rates (approximately 980 basis points), largely offset by the impact of price increases (approximately 770 basis points). The decrease in earnings before income taxes was primarily due to $29 from the negative impact of foreign exchange rates, $28 of increased manufacturing and logistic costs primarily due to inflationary pressure, $28 of foreign currency transaction losses, $24 of increased commodity costs, primarily resin, and an increase in trade promotion and advertising spending of $21. These were partially offset by the impact from price increases of $80 and cost savings of $22, which include more efficient sourcing of raw materials and the consolidation of certain manufacturing facilities.

CORPORATE

	2010	2009	2008	Change 2010 to 2009	Change 2009 to 2008
Losses before income taxes	**$ (280)**	$ (298)	$ (274)	(6) %	9 %

Fiscal year 2010 versus fiscal year 2009: The decrease in losses before income taxes was primarily due to a decrease in restructuring costs, cost savings associated with the Company’s restructuring initiatives, and lower interest expense primarily due to a decrease in average interest rate paid on commercial paper borrowings and a decline in average debt balances. These decreases were partially offset by higher employee incentive compensation costs.

Fiscal year 2009 versus fiscal year 2008: The increase in losses before income taxes was primarily due to increased restructuring costs (See “Restructuring and asset impairment costs” above), partially offset by decreased interest expense (See “Interest expense” above).

FINANCIAL POSITION AND LIQUIDITY

Management's discussion and analysis of the financial position and liquidity describes the Company's consolidated operating, investing and financing activities, contractual obligations and off balance sheet arrangements. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion.

The following table summarizes cash activities:

	2010	2009	2008
Net cash provided by operations	**$ 819**	$ 738	$ 730
Net cash used for investing activities	**(231)**	(197)	(1,082)
Net cash (used for) provided by financing activities	**(706)**	(540)	380

The Company's cash position includes amounts held by foreign subsidiaries, and the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company's cash balances is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in other expense (income), net. The Company's cash holdings as of the end of fiscal years 2010 and 2009 were as follows:

	2010	2009
Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	**$ 42**	$ 74
U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	**13**	52
Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries	**7**	13
U.S. dollar balances including those balances held by U.S. dollar functional currency subsidiaries	**25**	67
Total	**$ 87**	$ 206

During fiscal years 2010, 2009 and 2008, the Company repatriated approximately $174, $132 and $164, respectively, of cash previously held in foreign subsidiaries. In addition, at June 30, 2010 and 2009, the Company had short-term intercompany borrowings, with an initial maturity of 60 days, from its foreign subsidiaries of $155 and Zero, respectively.

Operating Activities

Net cash provided by operations increased to $819 in fiscal year 2010 from $738 in fiscal year 2009. The year over year increase was primarily due to higher net earnings and an increase in accrued liabilities, mainly driven by higher employee benefit accruals largely related to an increase in incentive compensation and a change in the timing of salary payments for a substantial number of the Company's employees from semi-monthly to biweekly pay. These factors were partially offset by decreases in receipts of accounts receivable, primarily due to a change in credit terms for certain of the Company's Auto business customers. Also offsetting the increase was a $15 increase in pension plan contributions.

The Company continues to monitor the fair value of its pension plan assets. Based on current pension funding rules, the Company is not required to make any contributions in fiscal year 2011. However, the Company plans to make pension contributions during fiscal year 2011 of approximately $20 to $25.

Venezuela

A number of recent developments during fiscal year 2010 have resulted in the recording of a net devaluation loss for the Company's Venezuelan subsidiary and a change in the accounting used to reflect the translation of financial information under the rules governing consolidation in a highly inflationary economy.

Adoption of parallel market currency exchange rate for translation purposes

Prior to December 31, 2009, the Company translated its Venezuelan subsidiary's financial statements using Venezuela's official currency exchange rate, which had been fixed by the Venezuelan government at 2.15 bolivar fuertes (VEFs) to the U.S. dollar. However, the Company's access to the official exchange rate became increasingly limited due to delays in obtaining U.S. dollars through the government-sponsored currency exchange process at the official exchange rate and the removal of some products from the official list of items that may be imported at the official exchange rate. This led to the substantial use of the parallel market currency exchange rate to convert VEFs to U.S. dollars to pay for certain imported inventory purchases. The parallel market currency exchange rate represented the rates negotiated with local financial intermediaries. Due to these circumstances, effective December 31, 2009, the Company began translating its Venezuelan subsidiary's financial statements using the parallel market currency exchange rate, the rate at which the Company expected to be able to remit dividends or return capital. The rate used at December 31, 2009, was 5.87 VEFs to the U.S. dollar. On a pre-tax basis, this change in the rate used for converting these currencies resulted in a one time re-measurement loss of $12 during the Company's fiscal quarter ended December 31, 2009, which related primarily to U.S. dollar denominated inventory purchases.

Adoption of highly inflationary accounting and adoption of alternative currency exchange market rate for translation purposes

Effective January 1, 2010, the financial statements for the Company's Venezuelan subsidiary have been consolidated under the rules governing the translation of financial information in a highly inflationary economy. Under U.S. GAAP, an economy is considered highly inflationary if the cumulative inflation rate for a three-year period meets or exceeds 100 percent. If a subsidiary is considered to be in a highly inflationary economy, the financial statements of the subsidiary must be re-measured into the Company's reporting currency (U.S. dollar) and future exchange gains and losses from the re-measurement of non-U.S. dollar monetary assets and liabilities are reflected in current earnings, rather than exclusively in the equity section of the balance sheet, until such time as the economy is no longer considered highly inflationary.

At the time of the adoption of highly inflationary accounting, in January 2010, the net monetary assets of the Company's Venezuelan subsidiary were translated at an exchange rate of 5.87 VEFs to the U.S. dollar, which reflected the then current parallel market currency exchange rate. The Company continued to value these non U.S. dollar monetary net assets using the parallel market currency exchange rate until May 2010, at which time the Venezuela government suspended the functioning of the parallel currency exchange market and announced its intent to implement an alternative currency exchange market under the control of the Venezuela Central Bank. In June 2010, the Venezuela Central Bank established an alternative currency exchange market. This alternative market includes volume restrictions on the amount of U.S. dollars which may be converted each month.

Based on the suspension of the parallel market currency exchange and the subsequent implementation of the alternative currency exchange market, the Company began utilizing the exchange rate at which the Company was purchasing U.S. dollars through the alternative market, which was 5.3 VEFs to the U.S. dollar, as the translation rate for the Company's Venezuelan subsidiary's financial statements. This includes the translation of monthly operating results (beginning in June 2010) and the valuation of the net monetary assets under highly inflationary accounting at June 30, 2010. Since this new translation rate was slightly more favorable than the parallel market currency exchange rate at both March 31, 2010 (the end of the previous quarter) and January 1, 2010 (the original adoption of highly inflationary accounting), the Company recorded a gain in other expense (income), net of $2 during the fiscal quarter ended June 30, 2010.

At June 30, 2010, the net asset position of the Company's Venezuelan subsidiary was $4, which included cash balances of approximately $8, of which approximately $6 was denominated in VEFs. Of the $4 net asset position, approximately $11 was associated with VEFs-denominated monetary net assets and deferred income taxes. For the fiscal year 2010, Venezuela's net sales and total assets represented approximately 2% and 1% of the total Company's net sales and total assets, respectively. The Company anticipates the Venezuela currency devaluation will negatively impact total Company net sales by 2% in the first half of fiscal year 2011.

The specifics of the alternative market include a limitation of $0.35 U.S. dollars per month for any particular entity, provided that no CADIVI (Venezuela's Commission for the Administration of Currency Exchange) approvals have been received over the prior 90 days. This is a substantial restriction in the amount of U.S. dollars available for inventory purchases, outside of the CADIVI approval process, as compared to the suspended parallel currency exchange market. The current limit is below the monthly foreign currency exchange requirements of the Company's Venezuelan subsidiary and, unless these restrictions are modified, may have a negative impact on the Venezuelan subsidiary's future operations. The Company continues to monitor this situation, including the impact such restrictions may have on its future business operations, and to assess any impairment implications. At this time, the Company is unable to predict with any degree of certainty how the recent changes as well as future developments within Venezuela will affect its Venezuela operations. Due to the limitation of the availability of U.S. dollars, the Company is focusing on local sourcing of raw and packaging materials and reducing imports of U.S. dollar denominated products and inputs.

Investing Activities

Capital expenditures were $203, $197 and $170, respectively, in fiscal years 2010, 2009 and 2008. Capital spending as a percentage of net sales was 3.7%, 3.6% and 3.2% for fiscal years 2010, 2009 and 2008, respectively. The Company estimates capital spending during fiscal year 2011 will be in the range of $240 to $250. The anticipated increase in capital spending is primarily associated with investments the Company is making in Information Technology systems and capabilities, particularly in international markets, as well as investments in research and development facilities.

In January 2010, the Company acquired the assets of Caltech Industries, Inc., a company that provides disinfectants for the health care industry, for an aggregate price of $24, with the objective of expanding the Company's capabilities in the areas of health and wellness. The final purchase price will be subject to certain tax adjustments that are expected to be finalized during fiscal year 2011. In connection with the purchase, the Company acquired Caltech Industries' workforce. The Company paid for the acquisition in cash.

Net assets acquired, at fair value, included inventory of $2 and other assets of $4, goodwill of $9, trademarks of $6, customer list of $2, product formulae of $2 and other liabilities of $1. The trademarks, customer list and product formulae will be amortized over a period of 3, 15 and 10 years, respectively. Goodwill represents a substantial portion of the acquisition proceeds due to the high growth rate of the use of disinfecting products in the healthcare industry. Operating results of the acquired business, which were not material to the Company's consolidated financial statements, are included in the consolidated net earnings in the Cleaning reportable segment, from the acquisition date, for the year ended June 30, 2010.

Financing Activities

Capital Resources and Liquidity

At June 30, 2010 and 2009, the Company had $369 and $419 of commercial paper outstanding at a weighted average interest rate of 0.43% and 0.59%, respectively. The average commercial paper outstanding during fiscal years 2010 and 2009 was $459 and $678 at a weighted average interest rate of 0.35% and 2.80%, respectively. The Company continues to successfully issue commercial paper. The Company believes that current cash balances and cash generated by operations, together with access to external sources of funds, as described below, will be sufficient to meet the Company's operating and capital needs in fiscal year 2011 and the foreseeable future.

In fiscal year 2010, $598 of debt was paid. The Company funded the debt repayment with commercial paper and operating cash flows.

In November 2009, the Company issued $300 of long-term debt in senior notes. The notes carry an annual fixed interest rate of 3.55% payable semi-annually in May and November. The notes mature on November 1, 2015. Proceeds from the notes were used to repay commercial paper. The notes rank equally with all of the Company's existing and future senior indebtedness.

Credit Arrangements

At June 30, 2010, the Company had a $1,100 revolving credit agreement with an expiration date of April 2013. There were no borrowings under this revolving credit arrangement, which the Company believes is now available and will continue to be available for general corporate purposes and to support commercial paper issuances. The revolving credit agreement includes certain restrictive covenants. The primary restrictive covenant is a maximum ratio of total debt to EBITDA for the trailing 4 quarters (EBITDA ratio), as defined in the Company's revolving credit agreement, of 3.25. EBITDA, as defined by the revolving credit agreement, may not be comparable to similarly titled measures used by other entities.

The following table sets forth the calculation of the EBITDA ratio, as contractually defined, at June 30, 2010:

	9/30/2009	12/31/2009	3/31/2010	6/30/2010	Total
Net earnings	$ 157	$ 110	$ 165	$ 171	$ 603
Add back:					
Interest expense	36	37	34	32	139
Income tax expense	87	53	78	104	322
Depreciation and amortization	48	47	44	46	185
Asset impairment charges	-	-	-	-	-
Deduct:					
Interest income	(1)	(1)	-	(1)	(3)
EBITDA	$ 327	$ 246	$ 321	$ 352	$ 1,246
				Debt at June 30, 2010	$ 2,795
				EBITDA ratio	2.24

The Company is in compliance with all restrictive covenants and limitations as of June 30, 2010. The Company anticipates being in compliance with all restrictive covenants for the foreseeable future.

The Company continues to monitor the financial markets and assess its ability to fully draw on its revolving credit facility, but currently expects that any drawing on the facility will be fully funded.

The Company had $35 of foreign and other credit lines at June 30, 2010, of which $27 was available for borrowing.

The Company had the following credit ratings at June 30:

	2010		2009	
	Short-Term	Long-Term	Short-Term	Long-Term
Standard and Poor's	**A-2**	**BBB+**	A-2	BBB+
Moody's	**P-2**	**Baa2**	P-2	Baa2

Based on the Company's working capital requirements, the current borrowing availability under its credit agreements, its credit ratings, and its anticipated ability to generate positive cash flows from operations in the future, the Company believes it will have the funds necessary to meet all of its financing requirements and other fixed obligations as they become due. Should the Company undertake transactions requiring funds in excess of its current cash levels and available credit lines, it might consider the issuance of debt or other securities to finance acquisitions, repurchase shares, refinance debt or fund other activities for general business purposes. The Company's access to such additional funds could be adversely affected by any decrease in credit ratings identified above.

Share Repurchases and Dividend Payments

The Company has two share repurchase programs: an open-market purchase program, which had a total authorization of $750 as of June 30, 2010, and a program to offset the impact of share dilution related to share-based awards (Evergreen Program), which has no authorization limit as to amount or timing of repurchases. The current open-market purchase program was approved by the Company's Board of Directors in May 2008.

Share repurchases under the Evergreen Program were $150 (2.4 million shares) in fiscal year 2010. No shares were repurchased under the open-market program or Evergreen Program in fiscal year 2009. Share repurchases under the Evergreen Program were $118 (2.1 million shares) in fiscal year 2008. In August 2007, the Company entered into an Accelerated Share Repurchase (ASR) agreement with two investment banks in which the Company received 10.9 million shares in August 2007 and 1.1 million shares in January 2008. The average per share amount paid for all shares purchased under the ASR agreement was $62.08 for an aggregate price of $750.

On May 19, 2010, the Company announced an increase in the quarterly dividend rate from $0.50 per share to $0.55 per share. Dividends paid in fiscal year 2010 were $282 or $2.00 per share.

Contractual Obligations

The Company had contractual obligations at June 30, 2010, payable or maturing in the following fiscal years:

At June 30, 2010	2011	2012	2013	2014	2015	Thereafter	Total
Long-term debt maturities and interest payments (1)	$ 418	$ 110	$ 935	$ 63	$ 625	$ 759	$ 2,910
Notes and loans payable (2)	371	-	-	-	-	-	371
Purchase obligations (3) (See Note 17)	324	110	24	11	3	2	474
Operating leases (See Note 17)	32	35	31	26	21	81	226
ITS Agreement (service agreement only) (4) (See Note 17)	37	35	34	8	-	-	114
Contributions to non-qualified supplemental post retirement plans (5)	13	14	14	15	15	99	170
Terminal obligation pursuant to Venture Agreement (See Note 12)	-	-	-	-	-	274	274
Total contractual obligations	$ 1,195	$ 304	$ 1,038	$ 123	$ 664	$ 1,215	$ 4,539

(1) The weighted average interest rate on long-term debt, including the effect of interest rate swaps, was 5.19% at June 30, 2010.
(2) The weighted average interest rate on notes and loans payable was 0.43% at June 30, 2010.
(3) Purchase obligations are defined as purchase agreements that are enforceable and legally binding and that specify all significant terms, including quantity, price and the approximate timing of the transaction. These obligations are related primarily to advertising and inventory purchases. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity has been made. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, utility agreements, capital expenditure agreements, software acquisition and license commitments, and service contracts. Any amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.

(4) In October 2006, the Company entered into an Information Technology Services (ITS) agreement with Hewlett-Packard (HP), a third-party service provider. Upon the terms and subject to the conditions set forth in the ITS Agreement, HP is providing certain information technology and related services. The services began in March 2007 and will continue through October 2013. The total minimum contractual obligations at June 30, 2010, are $120, of which $6 are included in operating leases. The minimum contractual obligations are based on an annual service fee that will be adjusted periodically based upon updates to services and equipment provided. Included in the ITS Agreement are certain acceleration payment clauses if the Company terminates the contract without cause.

(5) Represents expected payments through 2020. Based on the accounting rules for retirement and postretirement benefit plans, the liabilities reflected in the Company's Consolidated Balance Sheets differ from these expected future payments (See Note 20).

At June 30, 2010, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately $84. In the twelve months succeeding June 30, 2010, audit resolutions could potentially reduce total unrecognized tax benefits by up to $29, primarily as a result of cash settlement payments. Since the ultimate amount and timing of further cash settlements cannot be predicted with reasonable certainty, liabilities for uncertain tax positions are excluded from the contractual obligation table (See Note 19).

Off Balance Sheet Arrangements

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks; pre-existing legal, tax, environmental and employee liabilities; as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. As of June 30, 2010, the Company's aggregate maximum exposure from these agreements is $28, and the Company had not made, nor does it anticipate making, any payments relating to the indemnities.

The Company is a party to letters of credit of $19, primarily related to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at June 30, 2010.

CONTINGENCIES

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company recorded a liability of $16 and $19 at June 30, 2010 and 2009, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both June 30, 2010 and 2009. The Company is subject to a cost-sharing arrangement with Ford Motor Co. (Ford) for this matter, under which the Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and Ford are each responsible for their own such fees. In October 2004, the Company and Ford agreed to a consent judgment with the Michigan Department of Environmental Quality, which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. The Company made payments of less than $1 in fiscal years 2010 and 2009, respectively, towards remediation efforts. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative cleanup technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

The Company is subject to various other lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a multinational company, the Company is exposed to the impact of foreign currency fluctuations, changes in commodity prices, interest-rate risk and other types of market risk. In the normal course of business, the Company manages its exposure to market risk using contractual agreements and a variety of derivative instruments. The Company's objective in managing its exposure to market risk is to limit the impact of fluctuations on earnings and cash flow through the use of swaps, forward purchases and futures contracts. Derivative contracts are entered into for non-trading purposes with major credit-worthy institutions, thereby decreasing the risk of credit loss.

Sensitivity Analysis

For fiscal year 2010, the Company's exposure to market risk was estimated using sensitivity analyses, which illustrate the change in the fair value of a derivative financial instrument assuming hypothetical changes in foreign exchange rates, market rates or prices. The results of the sensitivity analyses for foreign-currency derivative contracts, commodity derivative contracts and interest rates are summarized below. Actual changes in foreign-exchange rates or market prices may differ from the hypothetical changes, and any changes in the fair value of the contracts, real or hypothetical, would be partly to fully offset by an inverse change in the value of the underlying hedged items.

The changes in the fair value of derivatives are recorded as either assets or liabilities in the balance sheet with an offset to net earnings or other comprehensive income, depending on whether or not, for accounting purposes, the derivative is designated and qualified as a hedge. From time to time, the Company may have contracts not designated as hedges for accounting purposes and recognizes changes in the fair value of these contracts in other expense (income), net.

The Company periodically assesses and takes action to mitigate its exposure to interest-rate risk. At June 30, 2010, the Company had no outstanding interest-rate derivative contracts.

Foreign Currency Derivative Contracts

The Company seeks to minimize the impact of certain foreign-currency fluctuations by hedging transactional exposures with foreign-currency forward contracts. At June 30, 2010, the Company's foreign-currency transactional exposures pertaining to derivative contracts exist with the Canadian and Australian dollars. Based on a hypothetical decrease or increase of 10% in the value of the U.S. dollar against the Canadian and Australian dollars at June 30, 2010, the estimated fair value of the Company's foreign currency derivative contracts would decrease or increase by $2 with the corresponding impact included in accumulated other comprehensive net losses.

Commodity Derivative Contracts

The Company is exposed to changes in the price of commodities used as raw materials in the manufacturing of its products. These commodities include, among others, resin, diesel, solvent, jet fuel, soybean oil, corrugate and chlor-alkali. The Company uses various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities, including long-term commodity purchase contracts and commodity derivative contracts. Based on a hypothetical decrease or increase of 10% in commodity prices at June 30, 2010, the estimated fair value of the Company's existing derivative contracts would decrease or increase by $9 with the corresponding impact included in accumulated other comprehensive net losses or other expense (income), as appropriate.

The Company uses different methodologies, when necessary, to estimate the fair value of its derivative contracts. The estimated fair values of the majority of the Company's contracts are based on quoted market prices, traded exchange market prices, or broker price quotations, and represent the estimated amounts that the Company would pay or receive to terminate the contracts.

Interest Rate

The Company is exposed to interest rate volatility with regard to existing and anticipated future issuances of debt. Primary exposures include movements in U.S. commercial paper rates and London Interbank Offered Rates (LIBOR). The Company periodically used interest rate swaps and forward interest rate contracts to reduce interest rate volatility during the three fiscal year periods ended June 30, 2010. As of June 30, 2010, the Company did not have any interest rate swaps or forward interest rate contracts outstanding. Assuming average variable rate debt levels during the fiscal year, a 100 basis point increase or decrease in interest rates would increase or decrease interest expense by approximately $5 or $2, respectively, in fiscal year 2010.

NEW ACCOUNTING PRONOUNCEMENTS

On June 30, 2010, the Company adopted a new accounting standard that requires additional disclosures about the major categories of plan assets and concentrations of risk for an employer's plan assets of a defined benefit pension or other postretirement plan, as well as disclosure of fair value levels, similar to the disclosure requirements of the fair value measurements accounting standard (See Note 20). As this guidance only requires enhanced disclosures, which the Company has provided, its adoption did not have a material impact on the consolidated financial statements.

On July 1, 2009, the Company adopted a new accounting standard that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that must be included in the computation of earnings per share pursuant to the two-class method. These payment awards were previously not considered participating securities. Accordingly, the Company's unvested performance units, restricted stock awards and restricted stock units that provide such nonforfeitable rights are now considered participating securities in the calculation of net earnings per share (EPS). The Company's share-based payment awards granted in fiscal year 2010 are not participating securities. The new standard requires the retrospective adjustment of the Company's earnings per share data. The impact of the retrospective adoption of the new accounting standard on the fiscal year 2009 and 2008 reported EPS data was as follows:

	Basic		Diluted	
	As previously reported	As restated	As previously reported	As restated
Year ended June 30, 2009	$ 3.86	$ 3.82	$ 3.81	$ 3.79
Year ended June 30, 2008	3.30	3.27	3.24	3.23

The calculation of EPS under the new accounting standard is disclosed in Note 15.

On July 1, 2009, the Company adopted a new accounting standard that establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, including contingent liabilities, and any noncontrolling interest in an acquired business. The new accounting standard also provides for recognizing and measuring the goodwill acquired in a business combination and requires disclosure of information to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of this standard were applied during the Company's most recent acquisition (See Note 2).

On July 1, 2009, the Company adopted a new accounting standard that requires disclosures about fair value of financial instruments in interim financial information. The Company already complies with the provisions of this accounting standard for its annual reporting.

On July 1, 2009, the Company adopted the provisions of the accounting standard on fair value measurements that apply to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The adoption of these provisions did not have an impact on the consolidated financial statements or disclosures.

On July 1, 2009, the Company adopted a new accounting standard that establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to as minority interest) and for the deconsolidation of a subsidiary. The new standard establishes accounting and reporting standards that require the noncontrolling interest to be reported as a component of equity. Changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary are initially measured at fair value. The adoption of the new standard did not have an impact on the consolidated financial statements.

On June 30, 2009, the Company adopted a new accounting standard that establishes principles and requirements for subsequent events. The statement details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. The adoption of the new standard did not have an impact on the consolidated financial statements.

On January 1, 2009, the Company adopted a new accounting standard that requires disclosures of how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows (See Note 11). As this guidance only requires enhanced disclosures, which the Company has provided, its adoption did not have a material impact on the consolidated financial statements.

On July 1, 2008, the Company adopted the required portions of a new accounting standard on fair value measurements, and its adoption did not have a material impact to the consolidated financial statements (See Note 11). This standard defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements.

In February 2007, the Financial Accounting Standard Board issued a new accounting standard that permits entities to choose to measure many financial instruments and certain other items at fair value. This standard was effective for the Company beginning July 1, 2008. The Company has not applied the fair value option to any items; therefore, the adoption of the standard did not have an impact on the consolidated financial statements.

On July 1, 2007, the Company adopted a new accounting standard that prescribes a consistent recognition threshold and measurement standard, as well as criteria for subsequently recognizing, derecognizing, classifying and measuring tax positions for financial statement purposes. The cumulative effect of adopting this standard was recorded as a $10 reduction to beginning retained earnings. The standard requires uncertain tax positions to be classified as non-current income tax liabilities unless expected to be paid within one year. Upon adoption of the standard, income tax liabilities of $53 were reclassified from current to non-current on the Company's balance sheet.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The methods, estimates, and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. Specific areas, among others, requiring the application of management's estimates and judgment include assumptions pertaining to accruals for consumer and trade-promotion programs, share-based compensation costs, pension and post-employment benefit costs, future cash flows associated with impairment testing of goodwill and other long-lived assets, credit worthiness of customers, uncertain tax positions, tax valuation allowances and legal, environmental and insurance matters. Accordingly, a different financial presentation could result depending on the judgments, estimates, or assumptions that are used. The most critical accounting policies are those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make its most difficult and subjective judgments, often estimating the outcome of future events that are inherently uncertain. The Company's most critical accounting policies are: revenue recognition; valuation of intangible assets and property, plant and equipment; employee benefits, including estimates related to share-based compensation; and income taxes. The Company's critical accounting policies have been reviewed with the Audit Committee of the Board of Directors. A summary of the Company's significant accounting policies is contained in Note 1 of the Notes to Consolidated Financial Statements.

Revenue Recognition

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable, and collection is reasonably assured. Sales are recorded net of allowances for trade-promotions and other discounts. The Company routinely commits to one-time or on-going trade-promotion programs with customers. Programs include shelf-price reductions, advantageous end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. Costs related to these programs are recorded as a reduction of sales. The Company's estimated costs of trade-promotions incorporate historical sales and spending trends by customer and category. The determination of these estimated costs requires judgment and may change in the future as a result of changes in customer promotion participation, particularly for new programs and for programs related to the introduction of new products. Final determination of the total cost of promotion is dependent upon customers providing information about proof of performance and other information related to the promotional event. This process of analyzing and settling trade-promotion programs with customers could impact the Company's results of operations and trade spending accruals depending on how actual results of the programs compare to original estimates. If the Company's June 30, 2010, trade spending accrual estimates were to differ by 10%, the impact on net sales would be approximately $7.

Valuation of Intangible Assets and Property, Plant and Equipment

The carrying values of goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets are annually reviewed for possible impairment. With respect to goodwill, impairment occurs when the carrying amount of a reporting unit's goodwill exceeds its implied fair value. An impairment charge is recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill. For trademarks and other intangible assets with indefinite lives, impairment occurs when the carrying amount of an asset is greater than its estimated fair value. An impairment charge is recorded for the difference between the carrying amount and the fair value. The Company's estimates of fair value are primarily based on a discounted cash flow approach that requires significant management judgment with respect to future sales volumes, revenue and expense growth rates, changes in working capital, foreign-exchange rates, currency devaluation, inflation and the selection of an appropriate discount rate. The Company tests its goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets annually unless there are indications during a different interim period that these assets may have become impaired.

During the fourth quarter of fiscal year 2010, the Company changed the date of its annual impairment test of goodwill and indefinite-lived intangible assets from January 1 to April 1. The change was made to more closely align the annual impairment test with the Company's long-range planning and forecasting process. The change did not delay, accelerate, nor avoid an impairment charge. The Company has determined that this change in accounting principle is preferable under the circumstances.

The Company, therefore, performed its annual impairment review of goodwill and indefinite-lived intangible assets as of January 1, 2010, and again as of April 1, 2010. No instances of impairment were identified during the reviews. Changes in the assumptions included in the discounted cash flow analysis could materially impact the fair value estimates. The Burt's Bees reporting unit, which includes $614 of goodwill, was the most sensitive to changes in discounted cash flow assumptions used to estimate fair value. The fair value of the Burt's Bees reporting unit was in excess of the book carrying value by approximately 5%. The Company is monitoring any events, circumstances, or changes in the Burt's Bees business that might imply a reduction in the estimated fair value and lead to an impairment of a portion of the goodwill.

There were no instances of impairment identified during fiscal year 2009. During fiscal year 2008, as a result of the annual review, the Company recorded $2 of asset impairment charges in its International segment, related to indefinite-lived intangible assets.

Property, plant and equipment and finite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. The Company's impairment review requires significant management judgment including estimating the future success of product lines, future sales volumes, revenue and expense growth rates, alternative uses for the assets and estimated proceeds from the disposal of the assets. The Company conducts quarterly reviews of idle and underutilized equipment, and reviews business plans for possible impairment indicators. Impairment occurs when the carrying amount of the asset (or asset group) exceeds its estimated future undiscounted cash flows and the impairment is viewed as other than temporary. When impairment is indicated, an impairment charge is recorded for the difference between the asset's book value and its estimated fair value. Depending on the asset, estimated fair value may be determined either by use of a discounted cash flow model or by reference to estimated selling values of assets in similar condition. The use of different assumptions would increase or decrease the estimated fair value of assets and would increase or decrease any impairment measurement.

Employee Benefits

The Company has various individual and group compensation and retirement income programs, including an incentive compensation program, a profit sharing element of The Clorox Company 401(k) plan and share-based compensation programs.

Incentive Compensation and Profit Sharing Programs

Company contributions to the 401(k) plan and payments to managerial staff for the annual incentive compensation program are subject to the Company achieving certain fiscal year performance targets. The 401(k) plan has two components: a 401(k) component and a profit sharing component. Employee contributions made to the 401(k) component are partially matched with Company contributions. The Company's contributions to the profit sharing component above 3% of eligible employee earnings are discretionary and are based on the Company achieving certain financial targets. The Company's payouts under the annual incentive compensation program are also based achieving certain financial targets. The Company accrues for the profit sharing cash contribution and annual incentive compensation program costs quarterly based on estimated annual results and is adjusted to actual at the end of the fiscal year. At June 30, 2010, the Company accrued $29 for the profit sharing cash contribution and anticipates making the payment to the 401(k) plan in the first quarter of fiscal year 2011. At June 30, 2010, the Company accrued $44 related to the annual incentive compensation program.

Share-Based Compensation

The Company grants various nonqualified stock-based compensation awards, including stock options, performance units and restricted stock. The share-based compensation expense and related income tax benefit recognized in the income statement in fiscal year 2010 were $60 and $22, respectively. As of June 30, 2010, there was $52 of unrecognized compensation costs related to nonvested stock options, restricted stock, and performance unit awards, which is expected to be recognized over a weighted average remaining vesting period of two years.

The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for each employee grouping and the estimated forfeiture rate is adjusted to reflect actual forfeitures upon vesting of such grouping . The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed. During fiscal year 2010, adjustments totaled less than $1.

The use of different assumptions in the Black-Scholes valuation model could lead to a different estimate of the fair value of each stock option. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. If the Company's assumption for the volatility rate increased by one percentage point, the fair value of options granted in fiscal year 2010 would have increased by less than $1. The expected life of the stock options is based on observed historical exercise patterns. If the Company's assumption for the expected life increased by one year, the fair value of options granted in fiscal year 2010 would have increased by less than $1.

The Company’s performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The performance unit grants generally vest after three years. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates, and the initial assumption that performance goals will be achieved. Compensation expense is adjusted quarterly based on management’s assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, previously recognized compensation expense is adjusted to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized.

Retirement Income Plans

The determination of net periodic pension cost is based on actuarial assumptions including a discount rate to reflect the time value of money, employee compensation rates, demographic assumptions to determine the probability and timing of benefit payments, and the long-term rate of return on plan assets. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation. Actual results could differ from expected results because actuarial assumptions and estimates are used. In the calculation of pension expense related to domestic plans for 2010, the Company used a long-term rate of return on plan assets assumption of 8.25% and a beginning of year discount rate assumption of 6.8%. The use of a different discount rate or long-term rate of return on domestic plan assets can significantly impact pension expense. For example, at June 30, 2010, a decrease of 100 basis points in the discount rate would increase pension liability by approximately $56, and potentially increase fiscal year 2011 pension expense by $4. A 100 basis point decrease in the long-term rate of return on plan assets would increase future pension expense in fiscal year 2011 by $4. The Company also has defined benefit pension plans for eligible international employees, including Canadian and Australian employees, and different assumptions are used in the determination of pension expense for those plans, as appropriate. Refer to Note 20 of the Notes to Consolidated Financial Statements for further discussion of pension and other retirement plan obligations.

Income Taxes

The Company’s effective tax rate is based on income by tax jurisdiction, statutory tax rates and tax planning opportunities available to the Company in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company’s effective tax rate and in evaluating its tax positions.

The Company maintains valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company’s income tax provision in the period of change. In determining whether a valuation allowance is warranted, the Company takes into account such factors as prior earnings history, expected future earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, statutory carry-back and carry-forward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Valuation allowances maintained by the Company relate mostly to deferred tax assets arising from the Company’s currently anticipated inability to use net operating losses in certain foreign countries.

In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

United States income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested . The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination on a periodic basis. A change to the Company’s determination may be warranted based on the Company’s experience as well as plans regarding future international operations and expected remittances. Changes in the Company's determination would likely require an adjustment to the income tax provision in the quarter in which the determination is made.

CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, contains “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward looking statements involve risks and uncertainties. Except for historical information, matters discussed below, including statements about future volume, sales, costs, cost savings, earnings, cash flows, plans, objectives, expectations, growth, or profitability, are forward looking statements based on management’s estimates, assumptions and projections. Words such as “will,” “could,” “may,” “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and variations on such words, and similar expressions, are intended to identify such forward looking statements. These forward looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed below. Important factors that could affect performance and cause results to differ materially from management’s expectations are described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K for the year ended June 30, 2010, as updated from time to time in the Company’s SEC filings. These factors include, but are not limited to: the Company’s costs, including volatility and increases in commodity costs such as resin, diesel, chlor-alkali, sodium hypochlorite, agricultural commodities and other raw materials; increases in energy costs; the ability of the Company to implement and generate expected savings from its programs to reduce costs, including its supply chain restructuring and other restructuring plans; supply disruptions or any future supply constraints that may affect key commodities or product inputs; risks inherent in relationships with suppliers, including sole-source or single-source suppliers; risks related to the handling and/or transportation of hazardous substances, including, but not limited to, chlorine; the success of the Company’s strategies; the ability to manage and realize the benefits of joint ventures and other cooperative relationships, including the Company’s joint venture regarding the Company’s Glad ® plastic bags, wraps and containers business, and the agreements relating to the provision of information technology, procure to pay and other key services by third parties; risks relating to acquisitions, mergers and divestitures, including the Company’s ability to achieve the projected strategic and financial benefits from the Burt’s Bees acquisition; risks inherent in maintaining an effective system of internal controls, including the potential impact of acquisitions or the use of third-party service providers, and the need to refine controls to adjust for accounting, financial reporting and other organizational changes or business conditions; the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property, environmental and other legal matters, including the risk resulting from joint and several liability for environmental contingencies and risks inherent in litigation, including class action litigation; risks related to maintaining and updating the Company’s information systems, including potential disruptions, costs and the ability of the Company to implement adequate information systems in order to support the current business and to support the Company’s potential growth; the success of new products and the ability of the Company to develop products that delight the consumer; consumer and customer reaction to price increases; competitive actions; risks related to customer concentration; customer-specific ordering patterns and trends; risks arising out of natural disasters; the impact of disease outbreaks, epidemics or pandemics on the Company’s, suppliers’ or customers’ operations; changes in the Company’s tax rate; continuing unfavorable world-wide general economic and marketplace conditions and events, including consumer confidence and consumer spending levels, the rate of economic growth, the rate of inflation or deflation, and the financial condition of the Company’s customers, suppliers and service providers; foreign currency exchange rate and interest rate fluctuations; unfavorable political conditions in international markets and risks relating to international operations; the impact of the volatility of the debt markets on the Company’s cost of borrowing and access to funds, including commercial paper and its credit facility; risks relating to changes in the Company’s capital structure; the need for any unanticipated restructuring or asset-impairment charges; risks arising from declines in cash flow, whether resulting from declining sales, higher cost levels, tax payments, debt payments, share repurchases, interest cost increases greater than management’s expectations, or increases in debt or changes in credit ratings, or otherwise; and the Company’s ability to maintain its business reputation and the reputation of its brands.

The Company’s forward looking statements in this Report are based on management’s current views and assumptions regarding future events and speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

In this Report, unless the context requires otherwise, the terms “the Company” and “Clorox” refer to The Clorox Company and its subsidiaries.

CONSOLIDATED STATEMENTS OF EARNINGS
The Clorox Company

Years ended June 30

Dollars in millions, except per share amounts	**2010**	**2009**	**2008**
Net sales	$ 5,534	$ 5,450	$ 5,273
Cost of products sold	3,057	3,104	3,098
Gross profit	2,477	2,346	2,175
Selling and administrative expenses	747	715	690
Advertising costs	518	499	486
Research and development costs	119	114	111
Restructuring and asset impairment costs	4	20	36
Interest expense	139	161	168
Other expense (income), net	25	26	(9)
Earnings before income taxes	925	811	693
Income taxes	322	274	232
Net earnings	$ 603	$ 537	$ 461
Earnings per share			
Basic	$ 4.28	$ 3.82	$ 3.27
Diluted	$ 4.24	$ 3.79	$ 3.23
Weighted average shares outstanding (in thousands)			
Basic	140,272	139,015	139,633
Diluted	141,534	140,169	141,197

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS
The Clorox Company

As of June 30 Dollars in millions, except share amounts	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 87	$ 206
Receivables, net	544	486
Inventories, net	367	366
Other current assets	126	122
Total current assets	1,124	1,180
Property, plant and equipment, net	979	955
Goodwill	1,650	1,630
Trademarks, net	562	557
Other intangible assets, net	96	105
Other assets	144	149
Total assets	$ 4,555	$ 4,576
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Notes and loans payable	$ 371	$ 421
Current maturities of long-term debt	300	577
Accounts payable	410	381
Accrued liabilities	492	472
Income taxes payable	74	86
Total current liabilities	1,647	1,937
Long-term debt	2,124	2,151
Other liabilities	677	640
Deferred income taxes	24	23
Total liabilities	4,472	4,751
Commitments and contingencies		
Stockholders' equity (deficit)		
Common stock: $1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued at June 30, 2010 and 2009; and 138,764,511 and 139,157,976 shares outstanding at June 30, 2010 and 2009, respectively	159	159
Additional paid-in capital	617	579
Retained earnings	920	640
Treasury shares, at cost: 19,976,950 and 19,583,485 shares at June 30, 2010 and 2009, respectively	(1,242)	(1,206)
Accumulated other comprehensive net losses	(371)	(347)
Stockholders' equity (deficit)	83	(175)
Total liabilities and stockholders' equity (deficit)	$ 4,555	$ 4,576

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

The Clorox Company

Dollars in millions, except share amounts	Common Stock Shares (000)	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Shares Shares (000)	Treasury Shares Amount	Accumulated Other Comprehensive Net (Losses) Gains	Total	Total Comprehensive Income
Balance at June 30, 2007	158,741	$ 159	$ 481	$ 185	(7,485)	$ (445)	$ (209)	$ 171	
Comprehensive income									
Net earnings				461				461	$ 461
Translation adjustments, net of tax of $2							26	26	26
Change in valuation of derivatives, net of tax of $17							27	27	27
Pension and postretirement benefit adjustments, net of tax of $15							(23)	(23)	(23)
Total comprehensive income									$ 491
Cumulative effect of adopting new accounting guidance related to uncertain tax positions				(10)				(10)	
Dividends				(231)				(231)	
Employee stock plans			53	(19)	862	48		82	
Treasury stock purchased					(14,080)	(868)		(868)	
Other						(5)		(5)	
Balance at June 30, 2008	158,741	159	534	386	(20,703)	(1,270)	(179)	(370)	
Comprehensive income									
Net earnings				537				537	$ 537
Translation adjustments, net of tax of $5							(78)	(78)	(78)
Change in valuation of derivatives, net of tax of $24							(39)	(39)	(39)
Pension and postretirement benefit adjustments, net of tax of $31							(51)	(51)	(51)
Total comprehensive income									$ 369
Dividends				(264)				(264)	
Employee stock plans			40	(17)	1,120	64		87	
Other			5	(2)				3	
Balance at June 30, 2009	158,741	159	579	640	(19,583)	(1,206)	(347)	(175)	
Comprehensive income									
Net earnings				603				603	$ 603
Translation adjustments, net of tax of $1							9	9	9
Change in valuation of derivatives, net of tax of $4							10	10	10
Pension and postretirement benefit adjustments, net of tax of $26							(43)	(43)	(43)
Total comprehensive income									$ 579
Dividends				(290)				(290)	
Employee stock plans			38	(26)	1,980	114		126	
Treasury stock purchased					(2,374)	(150)		(150)	
Other				(7)				(7)	
Balance at June 30, 2010	158,741	$ 159	$ 617	$ 920	(19,977)	$ (1,242)	$ (371)	$ 83	

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
The Clorox Company

Years ended June 30 Dollars in millions	2010	2009	2008
Operating activities:			
Net earnings	$ 603	$ 537	$ 461
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	185	190	205
Share-based compensation	60	58	47
Deferred income taxes	24	(1)	(51)
Asset impairment costs	-	3	29
Other	(15)	3	23
Changes in:			
Receivables, net	(53)	(2)	(8)
Inventories, net	2	-	(26)
Other current assets	(8)	(4)	11
Accounts payable and accrued liabilities	35	(40)	63
Income taxes payable	(14)	(6)	(24)
Net cash provided by operations	819	738	730
Investing activities:			
Capital expenditures	(203)	(197)	(170)
Businesses acquired, net of cash acquired	(19)	-	(913)
Other	(9)	-	1
Net cash used for investing activities	(231)	(197)	(1,082)
Financing activities:			
Notes and loans payable, net	(52)	(334)	681
Long-term debt borrowings , net of issuance costs	296	11	1,256
Long-term debt repayments	(598)	-	(500)
Treasury stock purchased	(150)	-	(868)
Cash dividends paid	(282)	(258)	(228)
Issuance of common stock for employee stock plans and other	80	41	39
Net cash (used for) provided by financing activities	(706)	(540)	380
Effect of exchange rate changes on cash and cash equivalents	(1)	(9)	4
Net (decrease) increase in cash and cash equivalents	(119)	(8)	32
Cash and cash equivalents:			
Beginning of year	206	214	182
End of year	$ 87	$ 206	$ 214
Supplemental cash flow information:			
Interest paid	$ 149	$ 161	$ 153
Income taxes paid , net of refunds	301	275	299
Non-cash financing activities:			
Dividends declared and accrued but not paid	78	70	64

See Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

The Company is principally engaged in the production, marketing and sales of consumer products through mass merchandisers, grocery stores and other retail outlets. The consolidated financial statements include the statements of the Company and its majority-owned and controlled subsidiaries. All significant intercompany transactions and accounts were eliminated in consolidation. Certain prior year reclassifications were made in the consolidated financial statements and related notes to consolidated financial statements to conform to the current year presentation.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts and related disclosures. Specific areas requiring the application of management's estimates and judgment include assumptions pertaining to accruals for consumer and trade-promotion programs, share-based compensation costs, pension and post-employment benefit costs, future cash flows associated with impairment testing of goodwill and other long-lived assets, credit worthiness of customers, uncertain tax positions, tax valuation allowances and legal, environmental and insurance matters. Actual results could materially differ from estimates and assumptions made.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Other than Venezuela, which operates in a highly inflationary economy, local currencies are the functional currencies for substantially all of the Company’s other foreign operations. When the transactional currency is different than the functional currency, transaction gains and losses are included as a component of other expense (income), net. In addition, certain assets and liabilities denominated in currencies different than a foreign subsidiary’s functional currency are reported on the subsidiary’s books in its functional currency, with the impact from exchange rate differences recorded in other expense (income), net. Assets and liabilities of foreign operations are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average monthly exchange rates during the year. Gains and losses on foreign currency translations are reported as a component of other comprehensive income. Deferred taxes are not provided on cumulative translation adjustments where the Company expects earnings of a foreign subsidiary to be indefinitely reinvested. The income tax effect of currency translation adjustments related to foreign subsidiaries from certain subsidiaries and joint ventures that are not considered indefinitely reinvested is recorded as a component of deferred taxes with an offset to other comprehensive income.

Venezuela

Prior to December 31, 2009, the Company translated its Venezuelan subsidiary’s financial statements using Venezuela’s official currency exchange rate, which had been fixed by the Venezuelan government at 2.15 bolivar fuertes (VEFs) to the U.S. dollar. Effective December 31, 2009, the Company began translating its Venezuelan subsidiary’s financial statements using the parallel market currency exchange rate (exchange rates negotiated with local financial intermediaries), the rate at which the Company expected to be able to remit dividends or return capital. The rate used at December 31, 2009, was 5.87 VEFs to the U.S. dollar. On a pre-tax basis, this change in the rate used for converting these currencies resulted in a one time re-measurement loss of $12 during the Company’s fiscal quarter ended December 31, 2009, which related primarily to U.S. dollar denominated inventory purchases.

Effective January 1, 2010, the financial statements for the Company’s Venezuelan subsidiary have been consolidated under the rules governing the translation of financial information in a highly inflationary economy. Under U.S. GAAP, an economy is considered highly inflationary if the cumulative inflation rate for a three-year period meets or exceeds 100 percent. If a subsidiary is considered to be in a highly inflationary economy, the financial statements of the subsidiary must be re-measured into the Company’s reporting currency (U.S. dollar) and future exchange gains and losses from the re-measurement of non-U.S. dollar monetary assets and liabilities are reflected in current net earnings, rather than exclusively in the equity section of the balance sheet, until such time as the economy is no longer considered highly inflationary. Nonmonetary assets and liabilities, such as inventory, property, plant and equipment and prepaid expenses are recorded in U.S. dollars at the historical rates at the time of acquisition of such assets or liabilities.

In May 2010, the Venezuela government suspended the functioning of the parallel currency exchange market and in June 2010, the Venezuela Central Bank established an alternative currency exchange market. This alternative market includes volume restrictions on the amount of U.S. dollars which may be converted each month. In June 2010, the Company began utilizing the exchange rate at which the Company was purchasing U.S. dollars through the alternative market, which was 5.3 VEFs to the U.S. dollar, as the translation rate for the Company’s Venezuelan subsidiary’s financial statements. Accordingly, the Company recorded a gain in other expense (income), net of $2 during the fiscal quarter ended June 30, 2010.

At June 30, 2010, the net asset position of the Company’s Venezuelan subsidiary was $4, which included cash balances of approximately $8, of which approximately $6 was denominated in VEFs. Of the $4 net asset position, approximately $11 was associated with VEFs-denominated monetary net assets and deferred income taxes. For the fiscal year 2010, Venezuela's net sales and total assets represented approximately 2% and 1% of the total Company's net sales and total assets, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

On June 30, 2010, the Company adopted a new accounting standard that requires additional disclosures about the major categories of plan assets and concentrations of risk for an employer's plan assets of a defined benefit pension and other postretirement plan, as well as disclosure of fair value levels, similar to the disclosure requirements of the fair value measurements accounting standard (See Note 20). As this guidance only requires enhanced disclosures, which the Company has provided, its adoption did not have a material impact on the consolidated financial statements.

On July 1, 2009, the Company adopted a new accounting standard that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that must be included in the computation of earnings per share pursuant to the two-class method. These payment awards were previously not considered participating securities. Accordingly, the Company's unvested performance units, restricted stock awards and restricted stock units that provide such nonforfeitable rights are now considered participating securities in the calculation of net earnings per share (EPS). The Company's share-based payment awards granted in fiscal year 2010 are not participating securities. The new standard requires the retrospective adjustment of the Company's earnings per share data. The impact of the retrospective adoption of the new accounting standard on the fiscal year 2009 and 2008 reported EPS data was as follows:

	Basic		Diluted	
	As previously reported	As restated	As previously reported	As restated
Year ended June 30, 2009	$ 3.86	$ 3.82	$ 3.81	$ 3.79
Year ended June 30, 2008	3.30	3.27	3.24	3.23

The calculation of EPS under the new accounting standard is disclosed in Note 15.

On July 1, 2009, the Company adopted a new accounting standard that establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, including contingent liabilities, and any noncontrolling interest in an acquired business. The new accounting standard also provides for recognizing and measuring the goodwill acquired in a business combination and requires disclosure of information to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of this standard were applied during the Company's most recent acquisition (See Note 2).

On July 1, 2009, the Company adopted a new accounting standard that requires disclosures about fair value of financial instruments in interim financial information. The Company already complies with the provisions of this accounting standard for its annual reporting.

On July 1, 2009, the Company adopted the provisions of the accounting standard on fair value measurements that apply to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The adoption of these provisions did not have an impact on the consolidated financial statements or disclosures.

On July 1, 2009, the Company adopted a new accounting standard that establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary (commonly referred to as minority interest) and for the deconsolidation of a subsidiary. The new standard establishes accounting and reporting standards that require the noncontrolling interest to be reported as a component of equity. Changes in a parent's ownership interest while the parent retains its controlling interest are accounted for as equity transactions and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary are initially measured at fair value. The adoption of the new standard did not have an impact to the consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On June 30, 2009, the Company adopted a new accounting standard that establishes principles and requirements for subsequent events. The statement details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. The adoption of the new standard did not have an impact on the consolidated financial statements.

On January 1, 2009, the Company adopted a new accounting standard that requires disclosures of how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows (See Note 11). As this guidance only requires enhanced disclosures, which the Company has provided, its adoption did not have a material impact on the consolidated financial statements.

On July 1, 2008, the Company adopted the required portions of a new accounting standard on fair value measurements, and its adoption did not have a material impact to the consolidated financial statements (See Note 11). This standard defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements.

In February 2007, the Financial Accounting Standards Board issued a new accounting standard that permits entities to choose to measure many financial instruments and certain other items at fair value. This standard was effective for the Company beginning July 1, 2008. The Company has not applied the fair value option to any items; therefore, the adoption of the standard did not have an impact on the consolidated financial statements.

On July 1, 2007, the Company adopted a new accounting standard that prescribes a consistent recognition threshold and measurement standard, as well as criteria for subsequently recognizing, derecognizing, classifying and measuring tax positions for financial statement purposes. The cumulative effect of adopting this standard was recorded as a $10 reduction to beginning retained earnings. The standard requires uncertain tax positions to be classified as non-current income tax liabilities unless expected to be paid within one year. Upon adoption of the standard, income tax liabilities of $53 were reclassified from current to non-current on the Company’s balance sheet.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments, time deposits and money market funds with an initial maturity at purchase of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

The Company’s cash position includes amounts held by foreign subsidiaries, and the repatriation of certain cash balances from some of the Company’s foreign subsidiaries could result in additional tax costs. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company’s cash balances are held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries books, in their functional currency, with the impact from exchange rate differences recorded in other expense (income), net. The Company’s cash holdings as of the end of fiscal years 2010 and 2009 were as follows:

	2010	2009
Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	$ 42	$ 74
U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	13	52
Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries	7	13
U.S. dollar balances including those balances held by U.S. dollar functional currency subsidiaries	25	67
Total	$ 87	$ 206

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost or market. When necessary, the Company provides allowances to adjust the carrying value of its inventory to the lower of cost or market, including any costs to sell or dispose. Appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value for the purposes of determining the lower of cost or market.

Property, Plant and Equipment and Finite-Lived Intangible Assets

Property, plant and equipment and finite-lived intangible assets are stated at cost. Depreciation and amortization expense are calculated by the straight-line method using the estimated useful lives of the related assets. The table below provides estimated useful lives of property, plant and equipment by asset classification (See Note 8 for estimated useful lives of finite-lived intangible assets).

Classification	Expected Useful Lives
Land improvements	10 - 30 years
Buildings	10 - 40 years
Machinery and equipment	3 - 15 years
Computer equipment	3 years
Capitalized software costs	3 - 7 years

Property, plant and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances occur that indicate that the carrying amount of an asset (or asset group) may not be recoverable. The Company’s impairment review is based on an estimate of the undiscounted cash flows at the lowest level for which identifiable cash flows exist. Impairment occurs when the book value of the asset exceeds the estimated future undiscounted cash flows generated by the asset and the impairment is viewed as other than temporary. When an impairment is indicated, an impairment charge is recorded for the difference between the book value of the asset and its estimated fair market value. Depending on the asset, estimated fair market value may be determined either by use of a discounted cash flow model, or by reference to estimated selling values of assets in similar condition.

Impairment Review of Goodwill and Indefinite-Lived Intangible Assets

The Company tests its goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets annually unless there are indications during a different interim period that these assets may have become impaired. With respect to goodwill, impairment occurs when the carrying amount of a reporting unit’s goodwill exceeds its implied fair value. An impairment charge is recorded for the difference between the carrying amount and the implied fair value of the reporting unit’s goodwill. For trademarks and other intangible assets with indefinite lives, impairment occurs when the carrying amount of an asset is greater than its estimated fair value. A charge is recorded for the difference between the carrying amount and the estimated fair value. The Company’s estimates of fair value are based primarily on a discounted cash flow approach that requires significant management judgment with respect to future sales volumes, revenue and expense growth rates, changes in working capital, foreign-exchange rates, devaluation, inflation and the selection of an appropriate discount rate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the fourth quarter of fiscal year 2010, the Company changed the date of its annual impairment test of goodwill and indefinite-lived intangible assets from January 1 to April 1. The change was made to align more closely the annual impairment test with the Company's long-range planning and forecasting process. The change did not delay, accelerate, nor avoid an impairment charge. The Company has determined that this change in accounting principle is preferable under the circumstances.

The Company, therefore, performed its annual impairment test of goodwill and indefinite-lived intangible assets as of January 1, 2010, and again as of April 1, 2010. No instances of impairment were identified during the test.

Share-Based Compensation

The Company records compensation expense associated with stock options and other forms of equity compensation based on their fair values on the dates they are granted. The expense is recorded by amortizing the fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

Cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for the options exercised (excess tax benefit) are classified as financing cash flows. However, cash flows relating to excess tax benefits for employees directly involved in the manufacturing and/or distribution processes are classified as operating cash flows. For the fiscal years ended June 30 2010, 2009 and 2008, $10, $6, and $9, respectively, of excess tax benefits were generated from share-based payment arrangements, and were recognized as financing cash flows.

Employee Benefits

The Company has qualified and nonqualified defined benefit plans that cover substantially all domestic employees and certain international employees and provide health care benefits for domestic employees who meet age, participation and length of service requirements at retirement.

The Company accounts for its defined benefit and retirement health care plans using actuarial methods . These methods use an attribution approach that generally spreads "plan events" over the service lives of plan participants. Examples of plan events are plan amendments and changes in actuarial assumptions such as the expected return on plan assets, discount rate, rate of compensation increase, and certain employee-related factors, such as retirement age and mortality. The principle underlying the attribution approach is that employees render service over their service lives on a relatively "smooth" basis, and therefore the statement of earnings effects of defined benefit and retirement heath care plans are recognized in the same pattern.

One of the principal assumptions used in the net periodic benefit cost calculation is the expected return on plan assets. The required use of an expected return on plan assets may result in recognized pension expense or income that differs from the actual returns of those plan assets in any given year. Over time, however, the goal is for the expected long-term returns to approximate the actual returns and, therefore, the expectation is that the pattern of income and expense recognition should closely match the pattern of the services provided by the participants. The Company uses a market-related value method for calculating plan assets for purposes of determining the amortization of actuarial gains and losses. This method employs an asset smoothing approach. The differences between actual and expected returns are recognized in the net periodic benefit cost calculation over the average remaining service period of the plan participants using the corridor approach. Under this approach, only actuarial gains (losses) that exceed 5% of the greater of the projected benefit obligation or the market-related value of assets are amortized to pension expense by the Company. In developing its expected return on plan assets, the Company considers the long-term actual returns relative to the mix of investments that comprise its plan assets and also develops estimates of future investment returns by considering external sources.

The Company recognizes an actuarial-based obligation at the onset of disability for certain benefits provided to individuals after employment, but before retirement, that include medical, dental, vision, life and other benefits.

The Company also has various individual and group incentive compensation programs, including a performance unit program, a bonus program, and a profit sharing element of the Company 401(k) plan. The Company's contributions to the profit sharing element of the 401(k) plan and payments to managerial staff and executive management for the annual bonus program are based on achieving Company performance targets. The Company also matches employee 401(k) contributions up to one thousand dollars per year for eligible employees.

Environmental Costs

The Company is involved in certain environmental remediation and on-going compliance activities. Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The Company's accruals reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. The aggregate accrual for environmental matters is included in other liabilities in the Company's consolidated balance sheets on an undiscounted basis due to the uncertainty and timing of future payments.

Restructuring Liabilities

Liabilities for costs associated with exit or disposal activities are recognized and measured initially at estimated fair value in the period in which the liability is incurred. A liability for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the Company is recognized at estimated fair value when the Company ceases using the right conveyed by the contract. The Company records employee termination liabilities once they are both probable and estimable for severance provided under the Company's existing severance policy. Employee termination liabilities outside of the Company's existing severance policy are recognized at the time the group of employees is notified, unless the group will be retained to render service beyond a minimum retention period, in which case the liability is recognized ratably over the future service period.

Revenue Recognition

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable, and collection is reasonably assured. Sales are recorded net of allowances for returns, trade-promotions, coupons and other discounts. The Company routinely commits to one-time or on-going trade-promotion programs with customers, and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. Programs include shelf price reductions, advantageous end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. Coupons are recognized as a liability when distributed based upon expected consumer redemptions. The Company maintains liabilities at the end of each period for the estimated expenses incurred, but unpaid for these programs. Trade-promotion and coupon costs are recorded as a reduction of sales. The Company provides an allowance for doubtful accounts based on its historical experience and a periodic review of its accounts receivable. Receivables were presented net of an allowance for doubtful accounts of $6 at June 30, 2010 and 2009. The Company's provision for doubtful accounts was $0, $3, and $4 in fiscal years 2010, 2009, and 2008, respectively.

Cost of Products Sold

Cost of products sold represents the costs directly related to the manufacture and distribution of the Company's products and primarily includes raw materials, packaging, contract packer fees, shipping and handling, warehousing, package design, depreciation, amortization and direct and indirect labor and operating costs for the Company's manufacturing facilities including salary, benefit costs and incentive compensation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs associated with developing and designing new packaging are expensed as incurred and include design, artwork, films, and labeling. Expenses for fiscal years ended June 30, 2010, 2009 and 2008 were $9, $8, and $9, respectively, of which $8 in each of the fiscal years was classified as cost of products sold, with the remainder classified as selling and administrative expenses.

Selling and Administrative Expenses

Selling and administrative expenses represent costs incurred by the Company in generating revenues and managing the business and include market research, commissions, and certain administrative expenses. Administrative expenses include salary, benefits, incentive compensation, professional fees and services, software and licensing fees, and other operating costs associated with the Company's non-manufacturing, non-research and development staff, facilities and equipment.

Advertising and Research and Development Costs

The Company expenses advertising and research and development costs in the period incurred.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. Management reviews the Company's deferred tax assets to determine whether their value can be realized based upon available evidence. A valuation allowance is established when management believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company's tax provision in the period of change. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet certain recognition thresholds or measurement standards. Amounts for uncertain tax positions are adjusted in quarters when new information becomes available or when positions are effectively settled.

U.S. income tax expense and foreign withholding taxes are provided on unremitted foreign earnings that are not indefinitely reinvested at the time the earnings are generated. Where foreign earnings are indefinitely reinvested, no provision for U.S. income or foreign withholding taxes is made. When circumstances change and the Company determines that some or all of the undistributed earnings will be remitted in the foreseeable future, the Company accrues an expense in the current period for U.S. income taxes and foreign withholding taxes attributable to the anticipated remittance.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law, and, on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed into law. The PPACA changes the tax treatment of federal subsidies received by sponsors of retiree health benefit plans that provide a benefit similar to Medicare Part D. These subsidies were previously non-taxable, but will become taxable effective in tax years beginning after December 31, 2012. The Company has concluded that the impact of the future elimination of this tax deduction on its financial statements is and will be insignificant.

Derivative Instruments

The Company's use of derivative instruments, principally swap, futures, and forward contracts, is limited to non-trading purposes and is designed to partially manage exposure to changes in interest rates, foreign currencies and commodity prices. The Company's contracts are hedges for transactions with notional balances and periods consistent with the related exposures and do not constitute investments independent of these exposures.

Most commodity derivative contracts and foreign-exchange contracts are designated as cash flow hedges of certain raw material and finished goods inventory purchase obligations based on certain hedge criteria. The criteria used to determine if hedge accounting treatment is appropriate are: (a) if the designation of the hedge is to an underlying exposure and (b) whether there is sufficient correlation between the value of the derivative instrument and the underlying obligation. The changes in the fair value of derivatives are recorded as either assets or liabilities in the balance sheet with an offset to net earnings or other comprehensive income, depending on whether, for accounting purposes, the derivative is designated and qualified as a hedge. From time to time, the Company may have contracts not designated as hedges for accounting purposes, for which it recognizes changes in the fair value of these contracts in other expense (income), net.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company uses different methodologies, when necessary, to estimate the fair value of its derivative contracts. The estimated fair values of the majority of the Company's contracts are based on quoted market prices, traded exchange market prices, or broker price quotations, and represent the estimated amounts that the Company would pay or receive to terminate the contracts.

NOTE 2. BUSINESSES ACQUIRED

Caltech Industries, Inc.

In January 2010, the Company acquired the assets of Caltech Industries, Inc., a company that provides disinfectants for the health care industry, for an aggregate price of $24, with the objective of expanding the Company's capabilities in the areas of health and wellness. The final purchase price will be subject to certain tax adjustments that are expected to be finalized during fiscal year 2011. In connection with the purchase, the Company acquired Caltech Industries' workforce. The Company paid for the acquisition in cash.

Net assets acquired, at fair value, included inventory of $2 and other assets of $4, goodwill of $9, trademarks of $6, customer list of $2, product formulae of $2 and other liabilities of $1. The trademarks, customer list and product formulae will be amortized over a period of 3, 15 and 10 years, respectively. Goodwill represents a substantial portion of the acquisition proceeds due to the high growth rate of the use of disinfecting products in the healthcare industry.

Operating results of the acquired business are included in the consolidated net earnings in the Cleaning reportable segment, from the acquisition date. Pro forma results of the Company, assuming the acquisition had occurred at the beginning of each period presented, would not be materially different from the results reported **.**

Burt's Bees Inc.

On November 30, 2007, the Company completed its acquisition of Burt's Bees Inc., a leading manufacturer and marketer of natural personal care products, for an aggregate price of $913, excluding $25 paid for tax benefits associated with the agreement. The Company funded the all-cash transaction through a combination of cash and short-term borrowings. During fiscal years 2009 and 2008, the Company received tax benefits associated with the acquisition of $8 and $17, respectively, through a combination of income tax refunds and reduced quarterly estimated tax payments. Under the terms of the agreement, the Company acquired 100 percent of Burt's Bees from its stockholders in a transaction that was structured as a merger. The Company also incurred $8 of transaction costs in connection with the acquisition of Burt's Bees. The operating results of Burt's Bees are reported in the Company's financial statements beginning December 1, 2007 in the Lifestyle reportable segment.

The following table provides unaudited pro forma results of operations of the Company for the fiscal year 2008, as if Burt's Bees had been acquired as of the beginning of that fiscal year. Results of operations for fiscal years 2010 and 2009, as reported, are included for comparison. Fiscal years 2010 and 2009, as reported, included full fiscal years of Burt's Bees results. The unaudited pro forma results include certain recurring purchase accounting adjustments such as depreciation and amortization expense on acquired tangible and intangible assets and assumed interest costs. However, unaudited pro forma results do not include certain transaction-related costs including the effect of a step-up of the value of acquired inventory, cost savings or other effects of the planned integration of Burt's Bees. Accordingly, such results of operations are not necessarily indicative of the results as if the acquisition had occurred at the beginning of the date indicated or that may result in the future.

Years ended June 30	2010 As reported	2009 As reported	2008 Pro forma
Net Sales	$ 5,534	$ 5,450	$ 5,343
Net earnings	603	537	472
Diluted net earnings per common share	$ 4.24	$ 3.79	$ 3.32

The assets and liabilities of Burt's Bees were recorded at their respective estimated fair values as of the date of the acquisition using generally accepted accounting principles then applicable to business combinations. The excess of the purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill. Goodwill represents a substantial portion of the acquisition proceeds because the Burt's Bees ® brand provides the Company with entry into the fast growing, higher margin natural personal care category.

NOTE 2. BUSINESSES ACQUIRED (Continued)

The following table summarizes the estimated fair values of Burt’s Bees’ assets acquired and liabilities assumed and related deferred income taxes as of the acquisition date. The weighted-average estimated useful life of intangible assets subject to amortization is 16 years.

Assets acquired	
Cash	$ 33
Inventory	45
Other current assets	24
Property, plant and equipment	16
Goodwill	613
Intangible assets not subject to amortization - trademarks	322
Intangible assets subject to amortization:	
Customer list	44
Product formulae	8
Other assets	1
Total assets acquired	1,106
Liabilities assumed	
Current liabilities - primarily accounts payable and accrued liabilities	52
Other liabilities	3
Current and noncurrent deferred income taxes	138
Total liabilities assumed	193
Net assets acquired	$ 913

A step-up in the value of inventory of $19 was recorded in the allocation of the purchase price based on valuation estimates. During fiscal year 2008, this step-up amount was charged to cost of products sold as the inventory was sold.

NOTE 3. RESTRUCTURING AND ASSET IMPAIRMENT

In fiscal year 2008, the Company began a restructuring plan that involves simplifying its supply chain and other restructuring activities (Supply Chain and Other restructuring plan), which was subsequently expanded to reduce certain staffing levels, resulting in additional costs, primarily severance, associated with this activity. The Company anticipates the Supply Chain and Other restructuring plan will be completed in fiscal year 2012. The Company may, from time to time, decide to pursue additional restructuring-related initiatives to drive cost savings and efficiencies.

The following table summarizes the restructuring costs, primarily severance, associated with the Company’s Supply Chain and Other restructuring plan by affected reportable segment, with unallocated amounts set forth in Corporate, for fiscal years 2010, 2009 and 2008:

	2010	2009	2008
Cleaning	$ 2	$ 3	$ 3
Household	2	-	-
International	-	2	2
Corporate	-	12	2
Total Company	$ 4	$ 17	$ 7

NOTE 3. RESTRUCTURING AND ASSET IMPAIRMENT (Continued)

The Company incurred no asset impairment costs for the fiscal year ended June 30, 2010. Asset impairment costs for the fiscal year ended June 30, 2009 were $3 in the Household segment. Asset impairment costs for the fiscal year ended June 30, 2008 were $3, $22 and $4 in the Cleaning, Household and International segments, respectively.

Restructuring and asset impairment costs were $4, $20 and $36 in fiscal years 2010, 2009 and 2008, respectively.

The following table summarizes restructuring-related costs, primarily cost of products sold, associated with the Company's Supply Chain and Other restructuring plan by affected reportable segment, with unallocated amounts set forth in Corporate:

	2010	2009	2008
Cleaning	$ 6	$ 11	$ 9
Household	4	5	10
International	-	1	3
Corporate	3	2	1
Total Company	$ 13	$ 19	$ 23

Total non-cash costs for fiscal years 2010, 2009 and 2008 were $4, $10 and $48, respectively.

The Company anticipates incurring approximately $13 to $19 of Supply Chain and Other restructuring and restructuring-related charges in fiscal year 2011, of which approximately $6 are expected to be non-cash. The Company anticipates approximately $2 to $4 of restructuring-related charges in selling and administrative expenses in Corporate and $4 to $6 of cost of products sold charges to be in the Cleaning segment and $7 to $9 in the Household segment, respectively. The total anticipated charges related to the Supply Chain and Other restructuring plan for fiscal year 2012 are estimated to be approximately $5 to $7.

The following table reconciles the accrual for the Supply Chain and Other restructuring charges discussed above:

	Severance	Asset Impairments	Accumulated Depreciation	Other	Total
Accrual Balance as of June 30, 2007	$ -	$ -	$ -	$ -	$ -
2008 Charges	7	29	20	3	59
Cash payments	(2)	-	-	(3)	(5)
Charges against assets	-	(29)	(20)	-	(49)
Accrual Balance as of June 30, 2008	5	-	-	-	5
2009 Charges	17	3	8	11	39
Cash payments	(7)	-	-	(11)	(18)
Charges against assets	-	(3)	(8)	-	(11)
Accrual Balance as of June 30, 2009	15	-	-	-	15
2010 Charges	7	-	4	9	20
Cash payments	(16)	-	-	(9)	(25)
Adjustments	(3)	-	-	-	(3)
Charges against assets	-	-	(4)	-	(4)
Accrual Balance as of June 30, 2010	$ 3	$ -	$ -	$ -	$ 3

NOTE 4. INVENTORIES, NET

Inventories, net at June 30 were comprised of the following:

	2010	2009
Finished Goods	$ 300	$ 304
Raw materials and packaging	102	99
Work in process	4	4
LIFO allowances	(28)	(31)
Allowances for obsolescence	(11)	(10)
Total	$ 367	$ 366

The last-in, first-out (LIFO) method was used to value approximately 36% and 38% of inventories at June 30, 2010 and 2009, respectively. The carrying values for all other inventories, including inventories of all international businesses, are determined on the first-in, first-out (FIFO) method. The effect on earnings of the liquidation of LIFO layers was a favorable $3 for the fiscal year ended June 30, 2010 and less than $1 for the fiscal years ended June 30, 2009 and 2008.

During the fiscal years ended 2010, 2009 and 2008, the Company's inventory obsolescence provision was $11, $12 and $12, respectively.

NOTE 5. OTHER CURRENT ASSETS

Other current assets at June 30 were comprised of the following:

	2010	2009
Deferred tax assets	$ 73	$ 74
Prepaid expenses	40	42
Other	13	6
Total	$ 126	$ 122

NOTE 6. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net, at June 30 were as follows:

	2010	2009
Machinery and equipment	$ 1,515	$ 1,431
Buildings	582	568
Capitalized software costs	302	289
Construction in progress	166	146
Land and improvements	127	127
Computer equipment	92	93
	2,784	2,654
Less: Accumulated depreciation and amortization	(1,805)	(1,699)
Total	$ 979	$ 955

Depreciation and amortization expense related to property, plant and equipment was $165, $173 and $186 in fiscal years 2010, 2009 and 2008, respectively.

NOTE 7. GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of Goodwill, Trademarks and Other intangible assets for the fiscal years ended June 30, 2010 and 2009, were as follows:

	Goodwill				
	Cleaning	Lifestyle	Household	International	Total
Balance June 30, 2008	$ 555	$ 622	$ 85	$ 396	$ 1,658
Translation adjustments and other	-	1	-	(29)	(28)
Balance June 30, 2009	555	623	85	367	1,630
Acquisitions	9	-	-	-	9
Translation adjustments and other	-	-	-	11	11
Balance June 30, 2010	$ 564	$ 623	$ 85	$ 378	$ 1,650

	Trademarks			Other intangible assets subject to amortization		
	Subject to amortization	Not subject to amortization	Total	Technology and Product formulae	Other	Total
Balance June 30, 2008	$ 1	$ 559	$ 560	$ 63	$ 60	$ 123
Amortization	(1)	-	(1)	(10)	(5)	(15)
Transfers	14	(14)	-	-	-	-
Translation adjustments and other	-	(2)	(2)	-	(3)	(3)
Balance June 30, 2009	14	543	557	53	52	105
Acquisitions	6	-	6	-	4	4
Amortization	(2)	-	(2)	(9)	(5)	(14)
Transfers	5	(5)	-	(7)	7	-
Translation adjustments and other	1	-	1	-	1	1
Balance June 30, 2010	$ 24	$ 538	$ 562	$ 37	$ 59	$ 96

Trademarks and Other intangible assets subject to amortization are net of accumulated amortization of $235 and $219 at June 30, 2010 and 2009, respectively. Estimated amortization expense for these intangible assets is $16, $15, $14, $13 and $10 for fiscal year 2011, 2012, 2013, 2014 and 2015. The weighted-average amortization period for trademarks and other intangible assets subject to amortization is 20 years and 14 years, respectively.

During the fourth quarter of fiscal year 2010, the Company changed the date of its annual impairment test of goodwill and indefinite-lived intangible assets from January 1 to April 1. The change was made to align more closely the annual impairment test date with the Company's long-range planning and forecasting process. The change did not delay, accelerate nor avoid an impairment charge. The Company, therefore, performed its annual impairment test of goodwill and indefinite-lived intangible assets as of January 1, 2010, and again as of April 1, 2010, and no instances of impairment were identified.

NOTE 8. OTHER ASSETS

Other assets were comprised of the following at June 30:

	2010	2009
Equity investments	$ 49	$ 45
Investment in insurance contracts	35	35
Deferred tax assets	25	28
Investment in low-income housing partnerships	11	13
Deferred financing costs	10	10
Other	14	18
Total	$ 144	$ 149

Equity Investments

The Company holds various equity investments in a number of consumer products businesses, most of which operate outside the United States. The Company has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements under the terms of its agreements that would require any future cash contributions or disbursements arising out of an equity investment, except for the investment in low-income housing partnerships described in the following paragraph.

Investment in Low-Income Housing Partnerships

The Company owns, directly or indirectly, limited partnership interests of up to 99% in 42 low-income housing partnerships, which are accounted for on the equity basis. The purpose of the partnerships is to develop and operate low-income housing rental properties. The general partners, who typically hold 1% of the partnership interests, are third parties unrelated to the Company and its affiliates, and are responsible for controlling and managing the business and financial operations of the partnerships. The partnerships provide the Company with low-income housing tax credits. Tax benefits (detriments), net of equity in the losses of the low-income housing partnerships, were $2, $1, and $(3) in fiscal years 2010, 2009 and 2008, respectively. The Company's estimated future capital requirement for the partnerships is less than $1 in fiscal year 2011 and thereafter. As a limited partner, the Company is not responsible for any of the liabilities and obligations of the partnerships nor do the partnerships or their creditors have any recourse to the Company other than for the capital requirements. Recovery of the Company's investments in the partnerships is accomplished through the utilization of low-income housing tax credits, the tax benefits of partnership losses and proceeds from the disposition of the properties. The risk of the low-income housing tax credits being unavailable to the Company is considered very low. For the combined group of low-income housing partnerships in which the Company invests, the aggregate underlying assets and liabilities were approximately $292 and $417, respectively, at June 30, 2010. The Company does not consolidate the investment in low-income housing partnerships.

Investment in Insurance Contracts

The Company invests in life insurance policies and records the cash surrender value of the contracts, net of any policy loans, at fair value. Any change in the cash surrender value is reflected in other expense (income), net.

NOTE 9. ACCRUED LIABILITIES

Accrued liabilities at June 30 consisted of the following:

	2010	2009
Compensation and employee benefit costs	$ 149	$ 123
Trade and sales promotion	109	86
Dividends	78	70
Interest	40	49
Other	116	144
Total	$ 492	$ 472

NOTE 10. DEBT

In fiscal year 2010, $598 of debt became due and was paid. The Company funded the debt repayment with commercial paper and operating cash flows.

In November 2009, the Company issued $300 of long-term debt in senior notes. The notes carry an annual fixed interest rate of 3.55% payable semi-annually in May and November. The notes mature on November 1, 2015. Proceeds from the notes were used to repay commercial paper. The notes rank equally with all of the Company's existing and future senior indebtedness.

Notes and loans payable, which mature in less than one year, included the following at June 30:

	2010	2009
Commercial paper	$ 369	$ 419
Foreign borrowings	2	2
Total	$ 371	$ 421

The weighted average interest rate on commercial paper was 0.43% and 0.59% at June 30, 2010 and 2009, respectively. During the fiscal years ended June 30, 2010, 2009 and 2008, the weighted average interest rates on notes and loans payable was 0.62%, 2.85% and 4.45%, respectively. The carrying value of notes and loans payable at June 30, 2010 and 2009, approximated the fair value of such debt.

Long-term debt at June 30 included the following:

	2010	2009
Senior unsecured notes and debentures:		
4.20%, $575 due January 2010	$ -	$ 575
6.125%, $300 due February 2011	300	305
5.45%, $350 due October 2012	349	349
5.00%, $500 due March 2013	500	499
5.00%, $575 due January 2015	575	575
3.55%, $300 due November 2015	299	-
5.95%, $400 due October 2017	398	398
Foreign borrowings	3	27
Total	2,424	2,728
Less: Current maturities	(300)	(577)
Long-term debt	$ 2,124	$ 2,151

The weighted average interest rate on long-term debt was 5.19% and 5.14% at June 30, 2010 and 2009, respectively. During the fiscal years ended June 30, 2010, 2009 and 2008, the weighted average interest rates on long-term debt, including the effect of interest rate swaps, was 5.16%, 5.15% and 5.16%, respectively. The estimated fair value of long-term debt, including current maturities, was $2,635 and $2,816 at June 30, 2010 and 2009, respectively. The Company accounts for its long-term debt at face value, net of any unamortized discounts or premiums. The fair value of long-term debt was determined using secondary market prices quoted by corporate bond dealers.

Credit facilities at June 30 were as follows:

	2010	2009
Revolving credit line	$ 1,100	$ 1,100
Foreign credit lines	23	57
Other credit lines	12	3
Total	$ 1,135	$ 1,160

NOTE 10. DEBT (Continued)

At June 30, 2009, there were no borrowings under the $1,100 revolving credit agreement, and the Company believes that borrowings under the revolving credit facility are now available and will continue to be available for general corporate purposes and to support commercial paper issuances. The $1,100 revolving credit agreement expires in April 2013 and includes certain restrictive covenants.

The Company was in compliance with all restrictive covenants and limitations as of June 30, 2010 and 2009. In addition, the Company had $35 of foreign and other credit lines at June 30, 2010, of which $27 was available for borrowing.

Long-term debt maturities at June 30, 2010, are $300, $3, $850, Zero, $575 and $700 in fiscal years 2011, 2012, 2013, 2014, 2015 and thereafter, respectively.

NOTE 11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company is exposed to certain commodity and foreign currency risks relating to its ongoing business operations. The Company uses commodity futures and swap contracts to fix the price of a portion of its forecasted raw material requirements. Contract maturities, which are generally no longer than 18 months, are matched to the length of the raw material purchase contracts. The Company also enters into certain foreign currency related derivative contracts to manage a portion of the Company's foreign exchange risk associated with the purchase of inventory. These foreign currency contracts generally have durations no longer than twelve months.

The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as a hedge, and on the type of the hedging relationship. For those derivative instruments designated and qualifying as hedging instruments, the Company must designate the hedging instrument as a fair value hedge or a cash flow hedge. The Company designates its commodity forward and future contracts of forecasted purchases for raw materials and its foreign currency forward contracts of forecasted purchases of inventory as cash flow hedges. During the fiscal year ended June 30, 2010, the Company had no hedging instruments designated as fair value hedges.

For derivative instruments designated and qualifying as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The estimated amount of the existing net loss at the reporting date expected to be reclassified into earnings within the next twelve months is $0. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. During the fiscal year 2010, the hedge ineffectiveness was not material. The Company dedesignates these cash flow hedge relationships whenever it determines that the hedge relationships are no longer highly effective. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive income for dedesignated hedges remains in accumulated other comprehensive income until the forecasted transaction is recognized in earnings. Changes in the value of derivative instruments after dedesignation are recorded in other income (expense) and amounted to ($3) for the fiscal year 2010.

The Company's derivative financial instruments designated as hedging instruments are recorded at fair value in the condensed consolidated balance sheet as follows:

		Fair value	
	Balance Sheet location	**6/30/2010**	**6/30/2009**
Assets			
Foreign exchange contracts	Other current assets	$ 1	$ -
Commodity purchase contracts	Other current assets	-	6
		$ 1	$ 6
Liabilities			
Commodity purchase contracts	Accrued liabilities	$ (2)	$ (21)

NOTE 11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The effects of derivative instruments designated as hedging instruments on OCI and on the statement of earnings for the fiscal year 2010 were as follows:

Cash flow hedges	Loss recognized in OCI	Loss reclassified from OCI and recognized in earnings
Commodity purchase contracts	$ (3)	$ (15)
Foreign exchange contracts	(2)	(3)
Total	$ (5)	$ (18)

The gains (losses) reclassified from OCI and recognized in earnings are included in cost of products sold.

The Company's derivative financial instruments not designated as hedging instruments are recorded at fair value in the condensed consolidated balance sheet as follows:

		Fair value	
	Balance Sheet location	6/30/2010	6/30/2009
Liabilities			
Commodity purchase contracts	Accrued liabilities	$ (1)	$ -

As of June 30, 2010, the net notional value of commodity derivatives was $91, of which $46 related to diesel fuel, $18 related to jet fuel, $25 related to soybean oil and $2 related to crude oil.

As of June 30, 2010, the Company had outstanding foreign currency forward contracts related to its subsidiaries in Canada and Australia of $12 and $6, respectively, used to hedge forecasted purchases of inventory.

Certain terms of the agreements governing the Company's over-the-counter derivative instruments require the Company or the counterparty to post collateral when the fair value of the derivative instruments exceeds contractually defined counterparty liability position limits. There was no collateral posted at June 30, 2010.

Certain terms of the agreements governing the over-the-counter derivative instruments contain provisions that require the credit ratings, as assigned by Standard and Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. As of June 30, 2010, the Company and each of its counterparties maintained investment grade ratings with both Standard and Poor's and Moody's.

U.S. GAAP prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

At June 30, 2010, the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the year were level 2 foreign exchange contracts with a fair value of $1(included in other current assets), and commodity purchase contracts with a fair value of $3 (included in accrued liabilities).

Commodity purchase contracts are fair valued using market quotations obtained from commodity derivative dealers.

The foreign exchange contracts are fair valued using information quoted by foreign exchange dealers.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and notes and loans payable approximate their fair values at June 30, 2010 and 2009, due to the short maturity and nature of those balances.

NOTE 12. OTHER LIABILITIES

Other liabilities consisted of the following at June 30:

	2010	2009
Employee benefit obligations	$ 306	$ 266
Venture agreement net terminal obligation	274	269
Taxes	64	65
Other	33	40
Total	$ 677	$ 640

Venture Agreement

In January 2003, the Company entered into an agreement with The Procter & Gamble Company (P&G) by which a venture was formed related to the Company's Glad ® plastic bags, wraps and containers business. The Company maintains a net terminal obligation liability, which reflects the estimated value of the contractual requirement to repurchase P&G's interest at the termination of the agreement. As of June 30, 2010 and 2009, P&G had a 20% interest in the venture. The Company pays a royalty to P&G for its interest in the profits, losses and cash flows, as contractually defined, of the Glad ® business and are included in cost of products sold.

The agreement has a 20-year term, with a 10-year renewal option and can be terminated under certain circumstances, including at P&G's option upon a change in control of the Company, or, at either party's option, upon the sale of the Glad ® business by the Company. Upon termination of the agreement, the Company will purchase P&G's interest for cash at fair value as established by predetermined valuation procedures. Following termination, the Glad ® business will retain the exclusive core intellectual property licenses contributed by P&G on a royalty free basis for the licensed products marketed.

NOTE 13. OTHER CONTINGENCIES

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company recorded a liability of $16 and $19 at June 30, 2010 and 2009, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both June 30, 2010 and 2009. The Company is subject to a cost-sharing arrangement with Ford Motor Co. (Ford) for this matter, under which the Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and Ford are each responsible for their own such fees. In October 2004, the Company and Ford agreed to a consent judgment with the Michigan Department of Environmental Quality, which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. The Company made payments of less than $1 in fiscal years 2010 and 2009, respectively, towards remediation efforts. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

The Company is subject to various other lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, employee and other matters. Although the results of claims and litigation cannot be predicted with certainty, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

NOTE 14. STOCKHOLDERS' EQUITY (DEFICIT)

The Company has two share repurchase programs: an open-market program, which had a total authorization of $750 as of June 30, 2010, and a program to offset the impact of share dilution related to share-based awards (Evergreen Program), which has no authorization limit. The current open-market program was approved by the Company's Board of Directors in May 2008.

Share repurchases under the Evergreen Program were $150 (2.4 million shares) in fiscal year 2010. No shares were repurchased under the open-market program or Evergreen Program in fiscal year 2009. Share repurchases under the Evergreen Program were $118 (2.1 million shares) in fiscal year 2008. In August 2007, the Company entered into an Accelerated Share Repurchase (ASR) agreement with two investment banks in which the Company received 10.9 million shares in August 2007 and 1.1 million shares in January 2008. The average per share amount paid for all shares purchased under the ASR agreement was $62.08 for an aggregate price of $750.

During fiscal years 2010, 2009 and 2008, the Company declared dividends per share of $2.05, $1.88 and $1.66, respectively. During fiscal years 2010, 2009, and 2008, the Company paid dividends per share of $2.00, $1.84 and $1.60, respectively.

Accumulated other comprehensive net losses at June 30, 2010, 2009 and 2008, included the following net-of-tax (losses) gains:

	2010	2009	2008
Currency translation	$ (211)	$ (220)	$ (142)
Derivatives	1	(9)	30
Pension and postretirement benefit adjustments	(161)	(118)	(67)
Total	$ (371)	$ (347)	$ (179)

NOTE 15. EARNINGS PER SHARE

The Company computes EPS using the two-class method (See Note 1), which is an earnings allocation formula that determines EPS for common stock and participating securities.

EPS for common stock is computed by dividing net earnings applicable to common stock by the weighted average number of common shares outstanding each period on an unrounded basis. Net earnings applicable to common stock includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net earnings which is based on the weighted average number of shares of common stock and participating securities outstanding during the period.

Diluted EPS for common stock reflects the earnings dilution that could occur from common shares that may be issued through stock options, restricted stock awards, performance units and restricted stock units that are not participating securities. Excluded from this calculation are amounts allocated to participating securities.

The following are reconciliations of net earnings to net earnings applicable to common stock, and the number of common shares outstanding (in thousands) used to calculate basic EPS to those used to calculate diluted EPS for fiscal years ended June 30:

	2010	2009	2008
Net earnings	$ 603	$ 537	$ 461
Less: Earnings allocated to participating securities	3	5	5
Net earnings applicable to common stock	$ 600	$ 532	$ 456

	Weighted Average Number of Shares Outstanding		
	2010	2009	2008
Basic	140,272	139,015	139,633
Dilutive effect of stock options and other (excludes participating securities)	1,262	1,154	1,564
Diluted	141,534	140,169	141,197

The Company did not include the following options to purchase shares of the Company's common stock in the calculations of diluted EPS because their inclusion would be anti-dilutive for the fiscal years ended June 30:

	2010	2009	2008
Stock options	3,978	5,090	2,719

NOTE 16. SHARE-BASED COMPENSATION PLANS

In November 2005, the Company's stockholders approved the 2005 Stock Incentive Plan (2005 Plan). The 2005 Plan permits the Company to grant various nonqualified, share-based compensation awards, including stock options, restricted stock, performance units, deferred stock units, restricted stock units, stock appreciation rights, and other stock-based awards. The Company is authorized to grant up to seven million common shares under the 2005 Plan, and, at June 30, 2010, approximately six million common shares were available for grant under the plan.

Compensation cost and related income tax benefit recognized in the Company's fiscal years 2010, 2009 and 2008 consolidated financial statements for share-based compensation plans were classified as indicated in the table below.

	2010	2009	2008
Cost of products sold	$ 8	$ 8	$ 7
Selling and administrative expenses	46	45	36
Research and development costs	6	5	4
Total compensation cost	$ 60	$ 58	$ 47
Related income tax benefit	$ 22	$ 22	$ 18

Cash received during fiscal year 2010, 2009 and 2008 from stock options exercised under all share-based payment arrangements was $69, $35 and $31, respectively. The Company issues shares for share-based compensation plans from treasury stock. The Company may repurchase shares under its Evergreen Program to offset the estimated impact of share dilution related to share-based awards (See Note 14).

Details regarding the valuation and accounting for stock options, restricted stock awards, performance units and deferred stock units for non-employee directors follow.

NOTE 16. SHARE-BASED COMPENSATION PLANS (Continued)

Stock Options

The fair value of each stock option award granted during fiscal years 2010, 2009 and 2008 was estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table:

	2010	2009	2008
Expected life	5 years	5 years	5 years
Expected volatility	21.6% to 22.9%	23.4%	21.0% to 22.2%
Weighted-average volatility	22.0%	23.4%	21.6%
Risk-free interest rate	2.2% to 2.4%	2.6%	2.8% to 4.2%
Dividend yield	3.4% to 3.6%	3.0%	2.7% to 3.0%
Weighted-average dividend yield	3.6%	3.0%	2.7%

The expected life of the stock options is based on observed historical exercise patterns. Groups of employees having similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for each separate employee grouping, and adjusts the rate to expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

Details of the Company's stock option plan at June 30 are summarized below:

	Number of Shares (In thousands)	Weighted-Average Exercise Price per Share	Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at June 30, 2009	10,089	$ 53	6 years	$ 32
Granted	1,924	57		
Exercised	(1,701)	41		
Cancelled	(301)	60		
Outstanding at June 30, 2010	10,011	55	6 years	68
Options vested and exercisable at June 30, 2010	6,087	52	4 years	61

The weighted-average fair value per share of each option granted during fiscal years 2010, 2009, and 2008, estimated at the grant date using the Black-Scholes option pricing model, was $8.34, $11.07 and $11.86, respectively. The total intrinsic value of options exercised in fiscal years 2010, 2009 and 2008 was $36, $16 and $16, respectively.

NOTE 16. SHARE-BASED COMPENSATION PLANS (Continued)

Stock option awards outstanding as of June 30, 2010, have been granted at prices that are either equal to or above the market value of the stock on the date of grant. Stock options outstanding as of June 30, 2010, generally vest over four years and expire no later than ten years after the grant date. The Company generally recognizes compensation expense ratably over the vesting period. At June 30, 2010, there was $19 of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of two years, subject to forfeitures.

Restricted Stock Awards

The fair value of restricted stock awards is estimated on the date of grant based on the market price of the stock and is amortized to compensation expense on a straight-line basis over the related vesting periods, which are generally three to four years. The total number of restricted stock awards expected to vest is adjusted by estimated forfeiture rates. Restricted stock grants prior to July 1, 2009, receive dividend distributions during their vesting period. Restricted stock grants after July 1, 2009, receive dividends earned during the vesting period upon vesting.

At June 30, 2010, there was $2 of total unrecognized compensation cost related to nonvested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of two years. The total fair value of the shares that vested in fiscal years 2010, 2009 and 2008 was $5, $8 and $10, respectively. The weighted-average grant-date fair value of awards granted was $58.91, $63.30 and $60.69 per share for fiscal years 2010, 2009 and 2008, respectively.

A summary of the status of the Company's restricted stock awards at June 30 is presented below:

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Restricted stock awards at June 30, 2009	196	$ 62
Granted	5	59
Vested	(83)	61
Forfeited	(6)	62
Restricted stock awards at June 30, 2010	112	62

Performance Units

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves certain performance targets. The performance unit grants vest after three years. Performance unit grants prior to July 1, 2009, receive dividend distributions during their vesting periods. Performance unit grants after July 1, 2009, receive dividends earned during the vesting period upon vesting. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates, and the initial assumption that performance goals will be achieved. Compensation expense is adjusted as necessary on a quarterly basis based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, any previously recognized compensation expense is reversed to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized.

NOTE 16. SHARE-BASED COMPENSATION PLANS (Continued)

The number of shares issued will be dependent upon vesting and the achievement of specified performance targets. At June 30, 2010, there was $31 in unrecognized compensation cost related to nonvested performance unit grants that is expected to be recognized over a remaining weighted-average performance period of two years. The weighted-average grant-date fair value of awards granted was $57.28, $63.95 and $61.16 per share for fiscal years 2010, 2009 and 2008, respectively.

A summary of the status of the Company's performance unit awards at June 30 is presented below:

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Performance unit awards at June 30, 2009	1,449	$ 60
Granted	670	58
Vested and distributed	(485)	61
Forfeited	(83)	61
Performance unit awards at June 30, 2010	1,551	59
Perfomance units vested and deferred at June 30, 2010	252	53

The nonvested performance units outstanding at June 30, 2010 and 2009, were 1,298,382 and 1,252,134, respectively, and the weighted average grant date fair value was $60.68 and $62.28 per share, respectively. Total shares vested during fiscal year 2010 were 533,581, which had a weighted average grant date fair value per share of $61.51. The total fair value of shares vested was $33, $26 and $4 during fiscal years 2010, 2009 and 2008, respectively. Upon vesting, the recipients of the grants receive the distribution as shares or, if previously elected by those who have the option to, as deferred stock. During fiscal years 2010 and 2009, $29 and $22, respectively, of the vested awards were paid by the issuance of shares. During both fiscal years 2010 and 2009, $4 of the vested awards were deferred. Deferred shares receive dividend distributions during their deferral period.

Deferred Stock Units for Nonemployee Directors

Nonemployee directors receive annual grants of deferred stock units under the Company's director compensation program and can elect to receive all or a portion of their annual retainers and fees in the form of deferred stock units. The deferred stock units receive dividend distributions, which are reinvested as deferred stock units, and are recognized at their fair value on the date of grant. Each deferred stock unit represents the right to receive one share of the Company's common stock following the termination of a director's service.

During fiscal year 2010, the Company granted 23,528 deferred stock units, reinvested dividends of 5,290 units and distributed 1,990 shares, which had a weighted-average fair value on grant date of $61.11, $61.89 and $52.06 per share, respectively. As of June 30, 2010, 179,826 units were outstanding, which had a weighted-average fair value on grant date of $56.66 per share.

NOTE 17. LEASES AND OTHER COMMITMENTS

The Company leases transportation equipment, certain information technology equipment and various manufacturing, warehousing, and office facilities. The Company's leases are classified as operating leases and the Company's existing contracts will expire by 2020. The Company expects that in the normal course of business, existing contracts will be renewed or replaced by other leases. The following is a schedule of future minimum rental payments required under the Company's existing non-cancelable lease agreements at June 30, 2010:

Fiscal Year	Future Minimum Rental Payments
2011	$ 32
2012	35
2013	31
2014	26
2015	21
Thereafter	81
Total	$ 226

Rental expense for all operating leases was $59, $62, and $59 in fiscal years 2010, 2009 and 2008, respectively. Space not occupied by the Company in its headquarters building is rented to other tenants under operating leases expiring through 2015. Future minimum rentals to be received under these leases total $5 and do not exceed $2 in any one year.

The Company is also party to certain purchase obligations, which are defined as purchase agreements that are enforceable and legally-binding and that specify all significant terms, including quantity, price and the approximate timing of the transaction. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, utility agreements, capital expenditure agreements, software acquisition and license commitments, and service contracts. At June 30, 2010, the Company's purchase obligations, including the services related to the Information Technology Services (ITS) Agreement, totaled $361, $145, $58, $19, $3, and $2 for fiscal years 2011 through 2015, and thereafter, respectively. Estimates for the ITS Agreement are based on an annual service fee that is adjusted periodically based upon updates to services and equipment provided. Included in the ITS Agreement are certain acceleration payment clauses if the Company terminates the contract without cause.

NOTE 18. OTHER EXPENSE (INCOME), NET

The major components of other expense (income), net for the fiscal years ended June 30 were:

	2010	2009	2008
Foreign exchange transaction losses, net	$ 26	$ 28	$ 2
Amortization of trademarks and other intangible assets	9	7	7
Low-income housing partnership losses (Note 8)	1	3	7
Equity in earnings of unconsolidated affiliates	(9)	(8)	(8)
Interest income	(3)	(4)	(12)
Other	1	-	(5)
Total other expense (income), net	$ 25	$ 26	$ (9)

NOTE 18. OTHER EXPENSE (INCOME), NET (Continued)

Approximately 90% of the fiscal year 2010 foreign exchange transaction losses, net, were related to the remeasurement losses by the Company's Venezuelan subsidiary (See Note 1).

Approximately 70% of the fiscal year 2009 foreign exchange transaction losses, net, were related to transactions to covert local currency to U.S. dollars by the Company's Venezuelan subsidiary.

NOTE 19. INCOME TAXES

The provision for income taxes on continuing operations, by tax jurisdiction, consisted of the following for the fiscal years ended June 30:

	2010	2009	2008
Current			
Federal	$ 227	$ 194	$ 203
State	29	40	28
Foreign	42	41	52
Total current	298	275	283
Deferred			
Federal	18	2	(36)
State	2	3	(3)
Foreign	4	(6)	(12)
Total deferred	24	(1)	(51)
Total	$ 322	$ 274	$ 232

The components of earnings from continuing operations before income taxes, by tax jurisdiction, were as follows for the fiscal years ended June 30:

	2010	2009	2008
United States	$ 773	$ 669	$ 538
Foreign	152	142	155
Total	$ 925	$ 811	$ 693

NOTE 19. INCOME TAXES (Continued)

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate on continuing operations follows for the fiscal years ended June 30:

	2010	2009	2008
Statutory federal tax rate	35.0 %	35.0 %	35.0 %
State taxes (net of federal tax benefits)	2.2	3.4	2.5
Tax differential on foreign earnings	(1.0)	(1.8)	0.1
Net adjustment of prior year federal and state tax accruals	(0.4)	(2.0)	1.0
Change in valuation allowance	0.6	0.1	(2.3)
Domestic manufacturing deduction	(1.7)	(1.8)	(1.7)
Other differences	0.1	0.9	(1.0)
Effective tax rate	34.8 %	33.8 %	33.6 %

Applicable U.S. income taxes and foreign withholding taxes have not been provided on approximately $102 of undistributed earnings of certain foreign subsidiaries at June 30, 2010, because these earnings are considered indefinitely reinvested. The net federal income tax liability that would arise if these earnings were not indefinitely reinvested is approximately $26. Applicable U.S. income and foreign withholding taxes are provided on these earnings in the periods in which they are no longer considered indefinitely reinvested.

With respect to the Company's stock option plans, realized tax benefits in excess of tax benefits recognized in net earnings are recorded as increases to additional paid-in capital. Excess tax benefits of approximately $10, $6, and $9, were realized and recorded to additional paid-in capital for the fiscal years 2010, 2009 and 2008, respectively.

The components of deferred tax assets at June 30 are shown below:

	2010	2009
Deferred tax assets		
Compensation and benefit programs	$ 201	$ 177
Basis difference related to Venture Agreement	30	30
Accruals and reserves	25	30
Inventory costs	13	16
Other	63	60
Subtotal	332	313
Valuation allowance	(12)	(6)
Total deferred tax assets	320	307
Deferred tax liabilities		
Fixed and intangible assets	(188)	(176)
Low-income housing partnerships	(28)	(27)
Other	(30)	(25)
Total deferred tax liabilities	(246)	(228)
Net deferred tax assets	$ 74	$ 79

NOTE 19. INCOME TAXES (Continued)

The net deferred tax assets included in the consolidated balance sheet at June 30 were as follows:

	2010	2009
Current deferred tax assets	$ 73	$ 74
Noncurrent deferred tax assets	25	28
Noncurrent deferred tax liabilities	(24)	(23)
Net deferred tax assets	$ 74	$ 79

The Company periodically reviews its deferred tax assets for recoverability. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Valuation allowances have been provided to reduce deferred tax assets to amounts considered recoverable. Details of the valuation allowance at June 30 were as follows:

	2010	2009
Valuation allowance at beginning of year	$ (6)	$ (7)
Net (decrease) increase in realizability of foreign deferred tax assets	(5)	1
Increase in foreign net operating loss carryforward and other	(1)	-
Valuation allowance at end of year	$ (12)	$ (6)

At June 30, 2010, the Company had no federal foreign tax credit carryforwards. Tax benefits from foreign net operating loss carryforwards of $6 have expiration dates between fiscal years 2011 and 2029. Tax benefits from foreign net operating loss carryforwards of $3 may be carried forward indefinitely.

The Company files income tax returns in the U.S. federal and various state, local and foreign jurisdictions. In the second quarter of fiscal year 2009, the Company settled the 2005 fiscal year with the Internal Revenue Service (IRS) and paid $2 in federal taxes and interest. In the first quarter of fiscal year 2010, the Company paid federal tax and interest of $8 related to the 2004 and 2006 fiscal tax years. No tax benefits had previously been recognized for the issues related to the 2004, 2005 and 2006 tax settlements. Certain issues relating to fiscal years 2003, 2004 and 2006 are under review by the IRS Appeals Division. Various income tax returns in state and foreign jurisdictions are currently in the process of examination.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. As of June 30, 2010 and June 30, 2009, the total balance of accrued interest and penalties related to uncertain tax positions was $22 and $17, respectively. For fiscal year 2010, income tax expense includes $5 of interest and penalties.

Following is a reconciliation of the beginning and ending amounts of the Company’s gross unrecognized tax benefits:

Unrecognized tax benefits - July 1, 2009	$ 98
Gross increases - tax positions in prior periods	10
Gross decreases - tax positions in prior periods	(15)
Gross increases - current period tax positions	5
Settlements	(14)
Unrecognized tax benefits - June 30, 2010	$ 84

Included in the balance of unrecognized tax benefits at June 30, 2010 and June 30, 2009, respectively, are potential benefits of $57 and $64, respectively, that if recognized, would affect the effective tax rate on earnings.

In the twelve months succeeding June 30, 2010, audit resolutions could potentially reduce total unrecognized tax benefits by up to $29, primarily as a result of cash payments. Audit outcomes and the timing of audit settlements are subject to significant uncertainty.

NOTE 20. EMPLOYEE BENEFIT PLANS

Retirement Income Plans

The Company has qualified and nonqualified defined benefit plans that cover substantially all domestic employees and certain international employees. Benefits are based on either employee years of service and compensation or a stated dollar amount per years of service. The Company is the sole contributor to the plans in amounts deemed necessary to provide benefits and to the extent deductible for federal income tax purposes. Assets of the plans consist primarily of investments in cash equivalents, mutual funds and common collective trusts.

The Company made contributions of $43, $30, and $0 to its domestic qualified retirement income plan in fiscal years 2010, 2009 and 2008, respectively. Contributions made to the domestic non-qualified retirement income plans were $8, $7 and $13 in fiscal years 2010, 2009 and 2008, respectively. The Company has also contributed $2, $1, and $1 to its foreign retirement income plans for fiscal years 2010, 2009 and 2008, respectively. The Company’s funding policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit tax laws plus additional amounts as the Company may determine to be appropriate. At June 30, 2010, based on current pension funding rules, the Company is not required to make any contributions in fiscal year 2011.

Retirement Health Care

The Company provides certain health care benefits for employees who meet age, participation and length of service requirements at retirement. The plans pay stated percentages of covered expenses after annual deductibles have been met. Benefits paid take into consideration payments by Medicare for the domestic plan. The plans are funded as claims are paid, and the Company has the right to modify or terminate certain of these plans.

The assumed domestic health care cost trend rate used in measuring the accumulated post-retirement benefit obligation (APBO) was 8.4% for medical and 9.8% for prescription drugs for fiscal year 2010. These rates have been assumed to gradually decrease each year until an assumed ultimate trend of 4.5% is reached in 2028. The healthcare cost trend rate assumption has an effect on the amounts reported. The effect of a 100 basis point increase or decrease in the assumed healthcare cost trend rate on the total service and interest cost components, and the postretirement benefit obligation was less than $1, respectively, for all three years ended June 30, 2010, 2009 and 2008.

NOTE 20. EMPLOYEE BENEFIT PLANS (Continued)

Summarized information for the Company’s retirement income and healthcare plans at and for the fiscal year ended June 30:

	Retirement Income		Retirement Health Care	
	2010	2009	2010	2009
Change in benefit obligations:				
Benefit obligation at beginning of year	$ 468	$ 465	$ 70	$ 71
Service cost	9	10	2	2
Interest cost	30	29	4	4
Employee contributions to deferred compensation plans	6	7	-	-
Actuarial loss/(gain)	80	(8)	4	(3)
Translation adjustment	-	(3)	-	(1)
Benefits paid	(33)	(32)	(2)	(3)
Benefit obligation at end of year	560	468	78	70
Change in plan assets:				
Fair value of assets at beginning of year	275	340	-	-
Actual return on plan assets	39	(68)	-	-
Employer contributions to qualified and nonqualified plans	53	38	2	3
Translation adjustment	1	(3)	-	-
Benefits paid	(33)	(32)	(2)	(3)
Fair value of plan assets at end of year	335	275	-	-
Funded status — plan assets less than benefit obligation	(225)	(193)	(78)	(70)
Accrued benefit cost	$ (225)	$ (193)	$ (78)	$ (70)
Amount recognized in the balance sheets consists of:				
Pension benefit assets	$ 1	$ 1	$ -	$ -
Current accrued benefit liability	(10)	(11)	(5)	(5)
Non-current accrued benefit liability	(216)	(183)	(73)	(65)
Net amount recognized	$ (225)	$ (193)	$ (78)	$ (70)

Information for plans with accumulated benefit obligation (ABO) in excess of plan assets at June 30:

	Pension Plans		Other Retirement Plans	
	2010	2009	2010	2009
Projected benefit obligation	$ 478	$ 392	$ 64	$ 62
Accumulated benefit obligation	472	384	64	62
Fair value of plan assets	317	261	-	-

NOTE 20. EMPLOYEE BENEFIT PLANS (Continued)

The ABO for all pension plans was $490, $398 and $390, respectively, at June 30, 2010, 2009 and 2008. The ABO for all retirement income plans increased by $97 in fiscal year 2010 primarily due to a decrease in the weighted-average discount rate. The Company uses a June 30 measurement date.

The net costs of the retirement income and healthcare plans for the fiscal year ended June 30 include the following components:

	Retirement Income			Retirement Health Care		
	2010	2009	2008	2010	2009	2008
Components of net periodic benefit cost						
Service cost	$ 9	$ 10	$ 14	$ 2	$ 2	$ 2
Interest cost	30	29	28	4	4	5
Expected return on plan assets	(31)	(28)	(29)	-	-	-
Amortization of unrecognized items	9	6	7	(2)	(2)	(1)
Total net periodic benefit cost	$ 17	$ 17	$ 20	$ 4	$ 4	$ 6

Items not yet recognized as a component of post retirement expense as of June 30, 2010, consisted of:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain)	$ 267	$ (4)
Prior service cost (benefit)	-	(3)
Net deferred income tax (assets) liabilities	(101)	2
Accumulated other comprehensive loss (income)	$ 166	$ (5)

Net actuarial loss (gain) and prior service cost (benefit) activity recorded in accumulated other comprehensive loss (income) for the fiscal year ended June 30, 2010, included the following:

	Retirement Income	Retirement Health Care
Net actuarial loss (gain) at beginning of year	$ 204	$ (9)
Amortization during the year	(9)	1
Loss during the year	72	4
Net actuarial loss (gain) at end of year	$ 267	$ (4)
Prior service benefit at beginning of year	$ -	$ (4)
Amortization during the year	-	1
Prior service benefit at end of year	$ -	$ (3)

The Company uses the straight line amortization method for unrecognized prior service benefit. In fiscal year 2011, the Company expects to recognize, on a pretax basis, approximately $1 of the prior service benefit and $12 of the net actuarial loss as a component of net periodic benefit cost.

NOTE 20. EMPLOYEE BENEFIT PLANS (Continued)

Weighted-average assumptions used to estimate the actuarial present value of benefit obligations at June 30 are as follows:

	Retirement Income		Retirement Health Care	
	2010	2009	2010	2009
Discount rate	5.34%	6.81%	5.36%	6.80%
Rate of compensation increase	3.99%	4.22%	n/a	n/a

Weighted-average assumptions used to estimate the net periodic pension and other postretirement benefit costs for the fiscal years ended June 30 are as follows:

	Retirement Income		
	2010	2009	2008
Discount rate	6.81%	6.75%	6.22%
Rate of compensation increase	4.22%	4.19%	4.18%
Expected return on plan assets	8.11%	8.11%	8.15%

	Retirement Health Care		
	2010	2009	2008
Discount rate	6.80%	6.69%	6.19%

NOTE 20. EMPLOYEE BENEFIT PLANS (Continued)

Expected benefit payments for the Company's pension and other postretirement plans are as follows:

	Retirement Income	Retirement Health Care
2011	$ 32	$ 5
2012	33	5
2013	33	6
2014	34	6
2015	35	6
Fiscal years 2016 — 2020	205	31

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

The target allocations and weighted average asset allocations of the investment portfolio for the Company's domestic retirement income plans at June 30 are:

	% Target Allocation	% of Plan Assets at June 30	
		2010	2009
Asset Category			
U.S. equity	50%	48%	50%
International equity	20	19	21
Fixed income	25	27	24
Other	5	6	5
Total	100%	100%	100%

NOTE 20. EMPLOYEE BENEFIT PLANS (Continued)

The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

The target asset allocation was determined based on the risk tolerance characteristics established for the plans and, at times, may be adjusted to achieve the plans' overall investment objective and to minimize any concentration of investment risk. The Company's objective is to invest plan assets in a manner that will generate resources to pay current and projected plan obligations over the life of the domestic qualified retirement income plan.

The following table sets forth by level, within the fair value hierarchy, the retirement income plans' assets carried at fair value as of June 30, 2010:

	Level 1	Level 2	Total
Mutual funds	$ 196	$ -	$ 196
Cash equivalents	1	-	1
Common/collective trusts	-	138	138
Total assets at fair value	$ 197	$ 138	$ 335

Mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the plans at June 30, 2010.

Common/collective trust funds are valued at a net asset value unit price determined by the portfolio's sponsor based on the fair value of underlying assets held by the common collective trust fund on June 30, 2010.

The carrying value of cash equivalents approximates their fair values at June 30, 2010.

Defined Contribution Plans

The Company has defined contribution plans for most of its domestic employees. The cost of those plans is based on the Company's profitability and the level of participants' deferrals qualifying for match. The plans include The Clorox Company 401(k) Plan, which has two components, a 401(k) component and a profit sharing component. Employee contributions made to the 401(k) component are partially matched with Company contributions. Company contributions to the profit sharing component above 3% of employee eligible earnings are discretionary and are based on certain Company performance targets for eligible employees. The aggregate cost of the defined contribution plans was $33, $24, and $30 in fiscal years 2010, 2009 and 2008, respectively, including $29, $19, and $26, respectively, of profit sharing contributions. The Company also has defined contribution plans for certain of its international employees. The aggregate cost of these foreign plans was $3, $2 and $3 in fiscal years 2010, 2009 and 2008, respectively.

NOTE 21. SEGMENT REPORTING

The Company operates through strategic business units which are aggregated into four reportable segments: Cleaning, Lifestyle, Household and International. The four reportable segments consist of the following:

- Cleaning consists of laundry, home-care, professional products and auto-care products marketed and sold in the United States. Products within this segment include laundry additives, including bleaches under the Clorox ® brand and Clorox 2 ® stain fighter and color booster; home-care products, primarily under the Clorox ® , Formula 409 ® , Liquid-Plumr ® , Pine-Sol ® , S.O.S ® and Tilex ® brands; natural cleaning and laundry products under the Green Works ® brand; and auto-care products primarily under the Armor All ® and STP ® brands.

- Household consists of charcoal, cat litter and plastic bags, wraps and container products marketed and sold in the United States. Products within this segment include plastic bags, wraps and containers, under the Glad ® brand; cat litter products, under the Fresh Step ® , Scoop Away ® and Ever Clean ® brands; and charcoal products under the Kingsford ® and Match Light ® brands.

- Lifestyle consists of food products, water-filtration systems and filters marketed and sold in the United States and all natural personal care products. Products within this segment include dressings and sauces, primarily under the Hidden Valley ® and K C Masterpiece ® brands, water-filtration systems and filters under the Brita ® brand; and all natural personal care products under the Burt's Bees ® brand.

- International consists of products sold outside the United States, excluding natural personal care products. These products include home-care, laundry, auto-care, water filtration, charcoal and cat litter products, dressings and sauces, plastic bags, wraps and containers, and insecticides, primarily under the Clorox ® , Javex ® , Glad ® , PinoLuz ® , Ayudin ® , Limpido ® , Clorinda ® , Poett ® , Mistolin ® , Lestoil ® , Bon Bril ® , Nevex ® , Brita ® , Armor All ® , STP ® , Green Works ® , Sabra ® , Pine-Sol ® , Agua Jane ® , Ever Clean ® , Chux ® , Kingsford ® and Hidden Valley ® brands.

Corporate includes certain nonallocated administrative costs, interest income, interest expense and certain other nonoperating income and expenses. Corporate assets include cash and cash equivalents, the Company's headquarters and research and development facilities, information systems hardware and software, pension balances, and other investments.

NOTE 21. SEGMENT REPORTING (Continued)

	Fiscal Year	Cleaning	Household	Lifestyle	International	Corporate	Total Company
Net sales	2010	$ 1,838	$ 1,663	$ 864	$ 1,169	$ -	$ 5,534
	2009	1,836	1,726	813	1,075	-	5,450
	2008	1,817	1,698	676	1,082	-	5,273
Earnings (losses) before income taxes	2010	440	290	303	172	(280)	925
	2009	410	289	270	140	(298)	811
	2008	360	225	205	177	(274)	693
Equity in earnings of affiliates	2010	-	-	-	9	-	9
	2009	-	-	-	8	-	8
	2008	-	-	-	8	-	8
Identifiable assets	2010	1,211	788	1,378	907	271	4,555
	2009	1,043	724	1,316	895	598	4,576
Capital expenditures	2010	52	58	10	27	56	203
	2009	75	45	13	25	39	197
	2008	55	46	12	17	40	170
Depreciation and amortization	2010	53	77	21	22	12	185
	2009	54	82	21	21	12	190
	2008	58	89	18	28	12	205
Significant non-cash charges included in earnings before income taxes:							
Asset impairment costs	2010	-	-	-	-	-	-
	2009	-	3	-	-	-	3
	2008	3	22	-	4	-	29
Share-based compensation	2010	16	13	5	2	24	60
	2009	14	13	5	2	24	58
	2008	13	12	5	2	15	47

NOTE 21. SEGMENT REPORTING (Continued)

All intersegment sales are eliminated and are not included in the Company's reportable segments' net sales.

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 27% for fiscal years 2010 and 2009 and 26% for fiscal year 2008, of consolidated net sales and occurred in each of the Company's reportable segments. No other customers exceeded 10% of consolidated net sales in any year. During fiscal years 2010, 2009 and 2008, the Company's five largest customers accounted for 45%, 43% and 42% of its net sales, respectively.

The Company has three product lines that have accounted for 10% or more of total consolidated net sales during each of the past three fiscal years. In fiscal years 2010, 2009 and 2008, respectively, sales of liquid bleach represented approximately 13%, 13% and 14% of the Company's total consolidated net sales, 25% of net sales in the Cleaning segment for each of the three fiscal years and 21%, 25% and 23% of net sales in the International segment. In fiscal years 2010, 2009 and 2008, respectively, sales of trash bags represented approximately 11%, 12% and 13% of the Company's total consolidated net sales, approximately 31%, 33% and 34% of net sales in the Household segment and approximately 10%, 10% and 11% of net sales in the International segment. Sales of charcoal represented approximately 11% in fiscal year 2010 and approximately 10% in fiscal years 2009 and 2008, respectively, of the Company's total consolidated net sales and approximately 36%, 32% and 30% of net sales in the Household segment, respectively.

Net sales and long-lived assets by geographic area at and for the fiscal years ended June 30 were as follows:

	Fiscal Year	United States	Foreign	Total Company
Net sales	2010	$ 4,415	$ 1,119	$ 5,534
	2009	4,422	1,028	5,450
	2008	4,239	1,034	5,273
Long-lived assets	2010	859	120	979
	2009	836	119	955
	2008	834	126	960

NOTE 22. GUARANTEES

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks; pre-existing legal, tax, environmental and employee liabilities; as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. As of June 30, 2010, the Company's aggregate maximum exposure from these agreements is $28 and the Company had not made, nor does it anticipate making, any payments relating to the indemnities.

The Company is a party to letters of credit of $19, primarily related to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at June 30, 2010.

NOTE 23. UNAUDITED QUARTERLY DATA

	Quarters Ended				
	September 30	December 31	March 31	June 30	Total Year
Fiscal year ended June 30, 2010					
Net sales	$ 1,372	$ 1,279	$ 1,366	$ 1,517	$ 5,534
Cost of products sold	$ 753	$ 718	$ 749	$ 837	$ 3,057
Net earnings	$ 157	$ 110	$ 165	$ 171	$ 603
Per common share:					
Net earnings					
Basic	$ 1.12	$ 0.78	$ 1.17	$ 1.21	$ 4.28
Diluted	1.11	0.77	1.16	1.20	4.24
Dividends declared per common share	$ 0.50	$ 0.50	$ 0.50	$ 0.55	$ 2.05
Market price (NYSE)					
High	$ 61.64	$ 63.10	$ 65.18	$ 65.67	$ 65.67
Low	55.41	56.36	58.96	60.85	55.41
Year-end					62.16
Fiscal year ended June 30, 2009					
Net sales	$ 1,384	$ 1,216	$ 1,350	$ 1,500	$ 5,450
Cost of products sold	$ 822	$ 730	$ 739	$ 813	$ 3,104
Net earnings	$ 128	$ 86	$ 153	$ 170	$ 537
Per common share:					
Net earnings					
Basic	$ 0.91	$ 0.62	$ 1.08	$ 1.21	$ 3.82
Diluted	0.90	0.61	1.08	1.20	3.79
Dividends declared per common share	$ 0.46	$ 0.46	$ 0.46	$ 0.50	$ 1.88
Market price (NYSE)					
High	$ 65.00	$ 64.00	$ 56.60	$ 57.43	$ 65.00
Low	47.48	52.05	45.67	50.31	45.67
Year-end					55.83

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* . Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting at June 30, 2010 and concluded that it is effective.

The Company's independent registered public accounting firm, Ernst & Young LLP has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2010.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited the accompanying consolidated balance sheets of The Clorox Company as of June 30, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2010. Our audits also included the financial statement schedule in Exhibit 99.2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Clorox Company at June 30, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in the Notes to the consolidated financial statements, on July 1, 2007, the Company changed its method of accounting for uncertain tax positions. As discussed in the Notes to the consolidated financial statements, on July 1, 2009, the Company adopted the two-class method of reporting earnings per share, with the impact applied retroactively.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Clorox Company's internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
August 25, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited The Clorox Company's internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Clorox Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Clorox Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Clorox Company as of June 30, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2010 of The Clorox Company and our report dated August 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
August 25, 2010

FIVE-YEAR FINANCIAL SUMMARY

The Clorox Company

	Years ended June 30				
Dollars in millions, except share data	2010 (1)	2009 (1)	2008 (1)(2)	2007 (1)(3)	2006 (1)
OPERATIONS					
Net sales	$ 5,534	$ 5,450	$ 5,273	$ 4,847	$ 4,644
Gross profit	2,477	2,346	2,175	2,091	1,959
Earnings from continuing operations	$ 603	$ 537	$ 461	$ 496	$ 443
Earnings from discontinued operations	-	-	-	5	1
Net earnings	$ 603	$ 537	$ 461	$ 501	$ 444
COMMON STOCK					
Earnings per share					
Continuing operations					
Basic	$ 4.28	$ 3.82	$ 3.27	$ 3.25	$ 2.93
Diluted	4.24	3.79	3.23	3.21	2.89
Dividends declared per share	$ 2.05	$ 1.88	$ 1.66	$ 1.31	$ 1.15
OTHER DATA					
Total assets	$ 4,555	$ 4,576	$ 4,712	$ 3,621	$ 3,563
Long-term debt	2,124	2,151	2,720	1,462	1,966

(1) In fiscal year 2010, the Company adopted a new accounting standard regarding calculation of earnings per share. Prior year earnings per share have been adjusted to reflect the new accounting standard.

(2) In fiscal year 2008, the Company acquired Burt's Bees Inc. for an aggregate price of $913 excluding $25 paid for tax benefits associated with the acquisition. In addition, the Company entered into an accelerated share repurchase agreement under which it repurchased 12 million of its shares for an aggregate price of $750.

(3) In fiscal year 2003, the Company announced its intent to sell its business in Brazil, closed its offices in Brazil, and sold nearly all of the remaining assets of this business; in fiscal year 2007, the Company sold certain assets remaining from its discontinued operation in Brazil.

Exhibit 99.2

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES (Dollars in Millions)

Column A	Column B	Column C		Column D		Column E
		Additions		Deductions		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Credited to costs and expenses	Credited to other accounts	Balance at end of period
Allowance for doubtful accounts						
Year ended June 30, 2010	$ (6)	$ -	$ -	$ -	$ -	$ (6)
Year ended June 30, 2009	(7)	(3)	-	-	4	(6)
Year ended June 30, 2008	(5)	(4)	-	-	2	(7)
LIFO allowance						
Year ended June 30, 2010	(31)	3	-	-	-	(28)
Year ended June 30, 2009	(21)	(10)	-	-	-	(31)
Year ended June 30, 2008	(18)	(3)	-	-	-	(21)
Valuation allowance on deferred tax assets						
Year ended June 30, 2010	(6)	(6)	-	-	-	(12)
Year ended June 30, 2009	(7)	-	-	1	-	(6)
Year ended June 30, 2008	(22)	-	-	15	-	(7)

Exhibit 99.3

THE CLOROX COMPANY
ECONOMIC PROFIT

Dollars in millions	FY10	FY09	FY08	FY07
Earnings from continuing operations before income taxes	$ 925	$ 811	$ 693	$ 743
Non-cash restructuring-related and asset impairment costs (1)	4	10	48	4
Interest expense (2)	139	161	168	113
Earnings from continuing operations before income taxes, non-cash restructuring-related and asset impairment costs, and interest expense	$ 1,068	$ 982	$ 909	$ 860
Adjusted after tax profit (3)	$ 697	$ 650	$ 604	$ 574
Average capital employed (1),(4)	2,928	3,045	2,680	2,165
Capital charge (5)	264	274	241	195
Economic profit (Adjusted after tax profit less capital charge)	433	376	363	379

(1) Non-cash restructuring-related and asset impairment costs are added back to earnings and adjusted capital employed to more closely reflect cash earnings and the total capital investment used to generate those earnings.

(2) Interest expense is added back to earnings because it is included as a component of the capital charge.

(3) Adjusted after tax profit represents earnings from continuing operations before income taxes, non-cash restructuring-related and asset impairment costs, and interest expense, after tax. The tax rate applied is the effective tax rate on continuing operations which was 34.8%, 33.8%, 33.6% and 33.2% in fiscal years 2010, 2009, 2008 and 2007, respectively.

(4) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year non-cash restructuring-related and asset impairment costs. Average capital employed represents a two-point average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation:

	FY10	FY09	FY08	FY07	FY06
Total assets	$ 4,555	$ 4,576	$ 4,712	$ 3,621	$ 3,563
Less:					
Accounts payable	410	381	418	329	329
Accrued liabilities	492	472	440	547	516
Income taxes payable	74	86	52	17	19
Other liabilities	677	640	632	516	547
Deferred income taxes	24	23	65	5	34
Non-interest bearing liabilities	1,677	1,602	1,607	1,414	1,445
Total capital employed	2,878	2,974	3,105	2,207	$ 2,118
Non-cash restructuring and asset impairment costs	4	10	48	4	
Adjusted capital employed	$ 2,882	$ 2,984	$ 3,153	$ 2,211	
Average capital employed	$ 2,928	$ 3,045	$ 2,680	$ 2,165	

(5) Capital charge represents average capital employed multiplied by the weighted-average cost of capital. The nominal weighted-average cost of capital used to calculate the capital charge was 9% for all fiscal years presented.