

# CLOROX CO /DE/

## FORM 10-Q (Quarterly Report)

Filed 5/4/2006 For Period Ending 3/31/2006

Address	THE CLOROX COMPANY 1221 BROADWAY OAKLAND, California 94612-1888
Telephone	510-271-7000
CIK	0000021076
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	06/30

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

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2006

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

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**THE CLOROX COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**31-0595760**

(I.R.S. Employer Identification No.)

**1221 Broadway  
Oakland, California**

(Address of principal executive offices)

**94612-1888**  
(Zip code)

**(510) 271-7000**

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of March 31, 2006, there were 150,864,538 shares outstanding of the registrant's common stock (par value — \$1.00), the registrant's only outstanding class of stock.

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## PART I — FINANCIAL INFORMATION (Unaudited)

## Item 1. Financial Statements

The Clorox Company

## Condensed Consolidated Statements of Earnings

(Dollars in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Net sales	\$ 1,157	\$ 1,086	\$ 3,325	\$ 3,134
Cost of products sold	677	632	1,943	1,792
Gross profit	480	454	1,382	1,342
Selling and administrative expenses	140	139	445	403
Advertising costs	112	106	324	303
Research and development costs	25	22	73	64
Restructuring and asset impairment costs	—	5	1	37
Interest expense	33	27	95	52
Other (income) expense:				
Equity earnings and gain on exchange of Henkel Iberica, S.A.	—	—	—	(25)
Other, net	2	18	2	10
Earnings from continuing operations before income taxes	168	137	442	498
Income taxes on continuing operations	58	21	141	139
Reversal of deferred taxes from equity investment in Henkel Iberica, S.A.	—	—	—	(2)
Earnings from continuing operations	110	116	301	361
Discontinued operations:				
Gain on exchange	—	—	—	550
Earnings from exchanged businesses	—	3	1	36
Reversal of deferred taxes from exchanged businesses	—	—	—	6
Income tax expense on discontinued operations	—	(1)	—	(13)
Earnings from discontinued operations	—	2	1	579
Net earnings	\$ 110	\$ 118	\$ 302	\$ 940
Earnings per common share:				
Basic				
Continuing operations	\$ 0.73	\$ 0.76	\$ 2.00	\$ 1.96
Discontinued operations	—	0.01	0.01	3.13
Basic net earnings per common share	\$ 0.73	\$ 0.77	\$ 2.01	\$ 5.09
Diluted				
Continuing operations	\$ 0.72	\$ 0.75	\$ 1.97	\$ 1.93
Discontinued operations	—	0.01	0.01	3.09
Diluted net earnings per common share	\$ 0.72	\$ 0.76	\$ 1.98	\$ 5.02
Weighted average common shares outstanding (in thousands)				
Basic	150,364	153,502	150,426	184,572
Diluted	152,905	156,104	152,771	187,170
Dividends declared per common share	\$ 0.29	\$ 0.28	\$ 0.86	\$ 0.83

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Balance Sheets  
(Dollars in millions)

	3/31/2006	6/30/2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 289	\$ 293
Receivables, net	386	411
Inventories	377	323
Other current assets	<u>67</u>	<u>63</u>
Total current assets	1,119	1,090
Property, plant and equipment, net	992	999
Goodwill, net	743	743
Trademarks and other intangible assets, net	608	599
Other assets, net	<u>160</u>	<u>186</u>
Total assets	<u>\$ 3,622</u>	<u>\$ 3,617</u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities		
Notes and loans payable	\$ 466	\$ 359
Current maturities of long-term debt	153	2
Accounts payable	285	347
Accrued liabilities	437	614
Income taxes payable	<u>36</u>	<u>26</u>
Total current liabilities	1,377	1,348
Long-term debt	1,967	2,122
Other liabilities	638	618
Deferred income taxes	<u>67</u>	<u>82</u>
Total liabilities	<u>4,049</u>	<u>4,170</u>
Stockholders' deficit		
Common stock	250	250
Additional paid-in capital	359	328
Retained earnings	3,843	3,684
Treasury shares, at cost: 98,962,396 and 98,143,620 shares at March 31, 2006, and June 30, 2005, respectively	(4,542)	(4,463)
Accumulated other comprehensive net losses	(337)	(336)
Unearned compensation	<u>—</u>	<u>(16)</u>
Stockholders' deficit	<u>(427)</u>	<u>(553)</u>
Total liabilities and stockholders' deficit	<u>\$ 3,622</u>	<u>\$ 3,617</u>

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows  
(Dollars in millions)

	Nine Months Ended	
	<u>3/31/2006</u>	<u>3/31/2005</u>
<b>Operating Activities:</b>		
Net earnings	\$ 302	\$ 940
Deduct: Earnings from discontinued operations	<u>1</u>	<u>579</u>
Earnings from continuing operations	301	361
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	138	137
Share-based compensation	34	10
Deferred income taxes	(10)	(32)
Restructuring and asset impairment activities	—	37
Gain on exchange of Henkel Iberica, S.A.	—	(20)
Other	30	47
Changes in:		
Receivables, net	20	38
Inventories	(59)	(69)
Other current assets	(1)	(3)
Accounts payable and accrued liabilities	(120)	3
Income taxes payable	31	—
Income tax settlement payment	<u>(151)</u>	<u>(87)</u>
Net cash provided by continuing operations	213	422
Net cash provided by discontinued operations	<u>8</u>	<u>41</u>
Net cash provided by operations	<u>221</u>	<u>463</u>
<b>Investing Activities:</b>		
Capital expenditures	(122)	(89)
Proceeds from life insurance investment	41	—
Low income housing contributions	(6)	(9)
Other	<u>(15)</u>	<u>4</u>
Net cash used for investing activities	<u>(102)</u>	<u>(94)</u>
<b>Financing Activities:</b>		
Notes and loans payable, net	106	117
Long-term debt borrowings	—	1,635
Long-term debt repayments	(29)	—
Proceeds from option exercise pursuant to Venture agreement	—	133
Treasury stock acquired from related party, Henkel KGaA	—	(2,119)
Treasury stock purchased from non-affiliates	(135)	—
Cash dividends paid	(129)	(158)
Issuance of common stock for employee stock plans and other	<u>64</u>	<u>82</u>
Net cash used for financing activities	<u>(123)</u>	<u>(310)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>2</u>
Net (decrease) increase in cash and cash equivalents	(4)	61
Cash and cash equivalents:		
Beginning of period	<u>293</u>	<u>232</u>
End of period	<u>\$ 289</u>	<u>\$ 293</u>

See Notes to Condensed Consolidated Financial Statements





Notes to Condensed Consolidated Financial Statements  
(In millions, except share and per share amounts)

**NOTE 1. INTERIM FINANCIAL STATEMENTS**

**Basis of Presentation**

The unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2006 and 2005, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position and cash flows of The Clorox Company and its subsidiaries (the "Company") for the periods presented. Certain reclassifications were made in the prior periods' condensed consolidated financial statements to conform to the current periods' presentation. The results for the interim period ended March 31, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2006, or for any future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2005, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

**Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ materially from estimates and assumptions made.

In determining its quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

**New Accounting Standards**

*Share-Based Payment*

Effective July 1, 2005, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123-R, *Share-Based Payment*, as interpreted by SEC Staff Accounting Bulletin No. 107. Prior to July 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS No. 123-R, and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the nine months ended March 31, 2006, includes: 1) amortization related to the remaining unvested portion of all stock option awards granted prior to July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*; and 2) amortization related to all stock option awards granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123-R.

The adoption of SFAS No. 123-R also resulted in certain changes to the Company's accounting for its restricted stock awards and performance unit programs, which are discussed in Note 9 in more detail.

**NOTE 1. INTERIM FINANCIAL STATEMENT (Continued)**

As a result of the adoption of SFAS No. 123-R, the Company's financial results were lower than under the Company's previous accounting method for share-based compensation, by the following amounts:

	Three Months Ended 3/31/2006	Nine Months Ended 3/31/2006
Earnings from continuing operations before income taxes	\$ 8	\$ 23
Earnings from continuing operations	5	16
Net earnings	5	16
Basic and diluted net earnings per common share	\$ 0.03	\$ 0.10

Prior to the adoption of SFAS No. 123-R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statement of Cash Flows. SFAS No. 123-R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised ("excess tax benefits") be classified as financing cash flows. However, cash flows relating to employees directly involved in the manufacturing and/or distribution processes are classified as operating cash flows. For the three and nine months ended March 31, 2006, \$6 and \$15 of excess tax benefits were generated from option exercises, respectively, and were recognized as financing cash flows.

For stock options granted prior to the adoption of SFAS No. 123-R, if compensation expense for the Company's various stock option plans had been determined based upon estimated fair values at the grant dates in accordance with SFAS No. 123, the Company's pro forma net earnings, and basic and diluted earnings per common share, would have been as follows:

	Three Months Ended 3/31/2005	Nine Months Ended 3/31/2005
Net earnings:		
As reported	\$ 118	\$ 940
Fair value-based expense, net of tax	(5)	(14)
Pro forma	<u>\$ 113</u>	<u>\$ 926</u>
Net earnings per common share:		
Basic		
As reported	\$ 0.77	\$ 5.09
Pro forma	\$ 0.74	\$ 5.02
Diluted		
As reported	\$ 0.76	\$ 5.02
Pro forma	\$ 0.73	\$ 4.95

*Other New Accounting Standards*

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, *Inventory Costs — an amendment of ARB No. 43, Chapter 4*. SFAS No. 151 requires that abnormal amounts of idle facility expenses, freight, handling costs and spoilage costs be recognized as current-period charges, and that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. Effective July 1, 2005, the Company adopted SFAS No. 151, which did not have a material effect on the Company's condensed consolidated financial statements.

**NOTE 2. DISCONTINUED OPERATIONS**

On November 22, 2004, the Company completed the exchange of its ownership interest in a subsidiary for Henkel KGaA's ("Henkel") interest in Clorox common stock ("Share Exchange Agreement"). Prior to the completion of the exchange, Henkel owned approximately 61.4 million shares, or about 29%, of the Company's outstanding common stock. The subsidiary transferred to Henkel contained Clorox's insecticides and Soft Scrub® cleanser businesses, its 20% interest in the Henkel Iberica, S.A. joint venture ("Henkel Iberica"), and \$2,095 in cash. Upon closing, the Company recognized a total gain of \$570 and reversed a total of \$8 of deferred income taxes. Of the total gain recognized, \$550 related to the exchanged operating businesses and was included in discontinued operations, and \$20 related to Henkel Iberica and was included in continuing operations. The net sales from the discontinued businesses were zero and \$13 for the three months ended March 31, 2006 and 2005, respectively, and were \$16 and \$76 for the nine months ended March 31, 2006 and 2005, respectively.

**NOTE 3. FINANCIAL INSTRUMENTS**

The Company utilizes derivative instruments, principally swaps, forwards and options, to manage the ongoing business risks associated with fluctuations in commodity prices, foreign currencies and interest rates. These contracts are economic hedges for transactions that have notional balances and periods consistent with the related exposures and do not constitute investments independent of these exposures.

At March 31, 2006, and June 30, 2005, the Company's derivative financial instruments are recorded at fair value in the Condensed Consolidated Balance Sheets as assets (liabilities) as follows:

	<u>3/31/2006</u>	<u>6/30/2005</u>
<b>Current assets:</b>		
Commodity purchase contracts	\$ 9	\$ 7
<b>Other assets:</b>		
Commodity purchase contracts	—	5
<b>Current liabilities:</b>		
Commodity purchase contracts	(2)	—

The estimated notional and fair value amounts of the Company's derivative contracts are summarized below:

	<u>3/31/2006</u>		<u>6/30/2005</u>	
	<u>Notional</u>	<u>Fair Value</u>	<u>Notional</u>	<u>Fair Value</u>
Foreign exchange	\$ 26	—	\$ 32	—
Commodity purchase	88	\$ 7	73	\$ 12

Exposure to counterparty credit risk is considered low because these agreements have been entered into with major institutions with strong credit ratings that are expected to fully perform under the terms of the agreements.

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### NOTE 4. INVENTORIES

Inventories consisted of the following at:

	3/31/2006	6/30/2005
Finished goods	\$ 309	\$ 256
Raw materials and packaging	82	76
Work in process	6	6
LIFO allowances	(15)	(9)
Allowance for obsolescence	<u>(5)</u>	<u>(6)</u>
Total	<u>\$ 377</u>	<u>\$ 323</u>

### NOTE 5. OTHER ASSETS

Other assets consisted of the following at:

	3/31/2006	6/30/2005
Investment in insurance contracts	\$ 38	\$ 49
Equity investments	46	47
Investment in low-income housing partnerships	27	33
Nonqualified retirement plan assets	17	18
Other	<u>32</u>	<u>39</u>
Total	<u>\$ 160</u>	<u>\$ 186</u>

In the nine months ended March 31, 2006, the Company received \$41 of proceeds from the termination of one of its investments in insurance contracts. The Company used a portion of these proceeds to repay related long-term debt borrowings of \$29, which were previously netted against the investment.

### NOTE 6. OTHER LIABILITIES

Other liabilities consisted of the following at:

	3/31/2006	6/30/2005
Venture agreement net terminal obligation	\$ 260	\$ 258
Qualified and nonqualified pension plans	133	119
Retirement healthcare benefits	86	88
Deferred compensation plans	64	61
Environmental remediation	28	33
Long-term disability post-employment obligation	22	21
Other	<u>45</u>	<u>38</u>
Total	<u>\$ 638</u>	<u>\$ 618</u>

**NOTE 7. NET EARNINGS PER COMMON SHARE**

Net earnings per common share (“EPS”) is computed by dividing net earnings by the weighted average number of common shares outstanding each period on an unrounded basis. Diluted EPS reflects the earnings dilution that could occur from common shares that may be issued through stock options, restricted stock awards and performance units. The weighted average number of common shares outstanding used to calculate basic and diluted EPS was as follows (in thousands):

	Weighted Average Number of Common Shares Outstanding			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Basic	150,364	153,502	150,426	184,572
Stock options, restricted stock and performance units	2,541	2,602	2,345	2,598
<b>Diluted</b>	<b>152,905</b>	<b>156,104</b>	<b>152,771</b>	<b>187,170</b>

The following table sets forth the securities not included in the calculation of diluted EPS because to do so would be anti-dilutive (in thousands):

	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Stock options	355	363	446	434

**NOTE 8. COMPREHENSIVE INCOME**

Comprehensive income includes net earnings and certain adjustments that are excluded from net earnings but included as a separate component of stockholders’ deficit. Comprehensive income was as follows:

	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Net earnings	\$ 110	\$ 118	\$ 302	\$ 940
Other comprehensive (losses) gains, net of tax:				
Foreign currency translation adjustments	(6)	(6)	1	63
Net derivative adjustments	—	7	(2)	5
<b>Total comprehensive income</b>	<b>\$ 104</b>	<b>\$ 119</b>	<b>\$ 301</b>	<b>\$ 1,008</b>

**NOTE 9. 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, performance shares and other stock-based awards. As a result of the adoption of the 2005 Plan, no further awards have been or will be granted from any prior plans, including the 1996 Stock Incentive Plan and the 1993 Directors’ Stock Option Plan. The Company is authorized to grant up to 7 million common shares under the 2005 Plan, of which 5 million common shares were previously available under prior plans.

The compensation cost and related income tax benefit recognized in the Company’s consolidated financial statements for stock options, performance units and restricted stock awards were classified as follows:

	Three Months Ended 3/31/2006	Nine Months Ended 3/31/2006
Selling and administrative expenses	\$ 9	\$ 30
Cost of products sold	1	4
Capitalized in inventory	—	1
Total compensation cost	<u>\$ 10</u>	<u>\$ 35</u>
Related income tax benefit	<u>\$ 4</u>	<u>\$ 11</u>

Cash received from stock options exercised under all share-based payment arrangements for the three and nine months ended March 31, 2006, was \$25 and \$47, respectively. The Company issues shares for stock options, restricted stock awards and performance units from treasury stock. The Company repurchases shares under its program to offset the estimated impact of share dilution related to share-based awards. In the three and nine months ended March 31, 2006, the Company repurchased zero and 2.4 million shares at a total cost of zero and \$135, respectively.

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

***Stock Options***

The fair value of each stock option award granted after the adoption of SFAS No. 123-R is estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table.

	Three Months Ended 3/31/2006	Nine Months Ended 3/31/2006
Expected life	5 years	5 years
Expected volatility	25.2% to 25.3%	25.2% to 27.9%
Risk-free interest rate	4.3% to 4.5%	3.7% to 4.5%
Dividend yield	1.9% to 2.0%	1.9% to 2.1%

The expected life of the stock options is based on observed historical exercise patterns. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Previously, under SFAS No. 123, the Company did not utilize separate employee groupings in the determination of option values. The Company now estimates stock option forfeitures based on historical data for each 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.

**NOTE 9. SHARE-BASED COMPENSATION PLANS (Continued)**

The status of the Company's stock option plans at March 31, 2006, is summarized below:

	Number of Shares <small>(in thousands)</small>	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 30, 2005	11,691	\$ 42		
Granted	1,139	57		
Exercised	(1,518)	31		
Forfeited or expired	<u>(373)</u>	51		
Outstanding at March 31, 2006	<u>10,939</u>	45	6 years	\$ 165
Vested and exercisable at March 31, 2006	<u>7,162</u>	40	5 years	142

The weighted-average fair value of each option granted during the three and nine months ended March 31, 2006, estimated as of the grant date using the Black-Scholes valuation model, was \$15 per share. The total intrinsic value of options exercised during the three and nine months ended March 31, 2006, was \$20 and \$41, respectively.

Stock option awards outstanding as of March 31, 2006, have been granted at prices which are either equal to or above the market value of the stock on the date of grant, generally vest over four years and expire no later than ten years after the grant date. Effective July 1, 2005, the Company generally recognizes compensation expense ratably over the vesting period. As of March 31, 2006, there was \$40 of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of three years.

***Restricted Stock Awards***

In accordance with SFAS No. 123-R, 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. As of March 31, 2006, there was \$15 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 three years. The unrecognized compensation cost related to nonvested restricted stock awards was recorded as unearned compensation in stockholders' deficit at June 30, 2005. As part of the adoption of SFAS No. 123-R, the unrecognized compensation cost related to nonvested restricted stock awards granted prior to July 1, 2005, was included as a component of additional paid-in capital. The total fair value of the shares that vested in the three and nine months ended March 31, 2006, was zero and \$4, respectively.

**NOTE 9. SHARE-BASED COMPENSATION PLANS (Continued)**

A summary of the status of the Company’s restricted stock awards as of March 31, 2006, is presented below:

	Number of Shares <small>(in thousands)</small>	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock awards at June 30, 2005	589	\$ 45
Granted	77	57
Vested	(107)	41
Forfeited	(24)	48
Restricted stock awards at March 31, 2006	<u>535</u>	48

***Performance Units***

The Company’s performance unit grants subsequent to the adoption of SFAS No. 123-R provide for the issuance of common stock to certain managerial staff and senior management if the Company achieves specified performance targets. The performance unit grants generally vest after three years. The fair value of each grant issued after the adoption of SFAS No. 123-R is estimated on the date of grant based on the 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 the anticipated number of units to vest. If such goals are not met, any previously recognized compensation expense is reversed.

During the three and nine months ended March 31, 2006, the Company granted zero and 504,350 performance units, which had a weighted-average fair value on the grant date of \$57 per share. The number of shares issued will be dependent upon vesting and the achievement of specified performance targets. As of March 31, 2006, there was \$19 of total unrecognized compensation cost related to nonvested performance unit grants issued after the adoption of SFAS 123-R, which is expected to be recognized over a remaining weighted-average performance period of two years. The Company recognized \$2 and \$6 of compensation expense in the three and nine months ended March 31, 2006, respectively, related to the performance units granted during the period.

Prior to the adoption of SFAS No. 123-R, the Company granted performance units to certain members of management that provided for the issuance of common stock if the Company’s total shareholder return met specified performance goals based on comparisons with the performance of a selected peer group of companies. In fiscal year 2005, the Company began accruing a liability for the performance unit grants, which vested in September 2005. In addition, in fiscal year 2006, the Company began accruing for performance unit grants, which are scheduled to vest in September 2006, after determining it was likely that certain performance goals would be met. In the three and nine months ended March 31, 2006, the Company recognized zero and \$6, respectively, of additional expense related to grants made prior to the adoption of SFAS 123-R.



**NOTE 9. SHARE-BASED COMPENSATION PLANS (Continued)**

Performance units granted prior to the adoption of SFAS No. 123-R also include a grant that is scheduled to vest in September 2007. The Company has not yet recorded a liability relating to this program because the vesting date extends too far into the future to reasonably estimate whether the performance goals will be achieved.

As of March 31, 2006, there were 315,595 performance units outstanding that were granted prior to the adoption of SFAS No. 123-R, of which 60,855 have vested. The total fair value of shares that vested in the three and nine months ended March 31, 2006, was zero and \$6, respectively.

***Deferred Stock Units***

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 vest immediately and are recognized at their fair value on the date of grant in accordance with SFAS 123-R. Each deferred stock unit represents the right to receive one share of Clorox common stock following the termination of a director's service. During the three and nine months ended March 31, 2006, the Company granted 16,335 and 20,378 deferred stock units, including dividends reinvested of 437 and 1,243, respectively, which had a weighted-average fair value on the grant date of \$56.48 and \$56.36 per share, respectively. As of March 31, 2006, 94,652 units were outstanding.

**NOTE 10. RETIREMENT INCOME AND HEALTHCARE BENEFIT PLANS**

The following table summarizes the components of net periodic benefit cost for the Company's Retirement Income and Retirement Healthcare plans:

	Retirement Income Plans			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Components of net periodic benefit cost (income):				
Service cost	\$ 4	\$ 2	\$ 10	\$ 8
Interest cost	6	7	19	20
Expected return on plan assets	(7)	(7)	(20)	(21)
Amortization of unrecognized items	4	2	12	6
Total net periodic benefit cost	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 21</u>	<u>\$ 13</u>
	Retirement Healthcare Plans			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Components of net periodic benefit cost:				
Service cost	—	—	\$ 1	\$ 1
Interest cost	\$ 1	\$ 2	3	4
Amortization of unrecognized items	—	(1)	—	(1)
Total net periodic benefit cost	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 4</u>

**NOTE 11. 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. The Company's aggregate maximum exposure from these agreements is \$299, which consists primarily of an indemnity of up to \$250 made to Henkel in connection with the Share Exchange Agreement, subject to a minimum threshold of \$12 before any payments would be made. The general representations and warranties made by the Company in connection with the Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal, and other matters and have terms with varying expiration dates.

In addition to the indemnifications related to the general representations and warranties, the Company entered into an agreement with Henkel regarding certain tax matters. The Company made certain representations of fact as of the closing date of the exchange transaction and certain representations and warranties regarding future performance designed to preserve the tax-free status of the exchange transaction. In general, the Company agreed to be responsible for Henkel's taxes on the transaction if the Company's actions result in a breach of the representations and warranties in a manner that causes the share-exchange to fail to qualify for tax-free treatment. Henkel has agreed to similar obligations. The Company is unable to estimate the amount of maximum potential liability relating to the tax indemnification as the agreement does not specify a maximum amount, and the Company does not have the information that would be required to calculate this exposure. The Company does note, however, that the potential tax exposure, if any, could be very significant as the Company believes Henkel's tax basis in the shares exchanged is low, and the value of the subsidiary stock transferred to Henkel in the exchange transaction was approximately \$2,800. Although the agreement does not specify an indemnification term, any exposure under the agreement would be limited to taxes assessed prior to the expiration of the statute of limitations period for assessing taxes on the share exchange transaction. Based on the nature of the representations and warranties as well as other factors, the Company has not accrued any liability under this indemnity.

The Company is a party to a \$22 letter of credit issued to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at March 31, 2006.

**NOTE 12. ENVIRONMENTAL CONTINGENCIES**

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of \$28 and \$33 at March 31, 2006, and June 30, 2005, 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 March 31, 2006, and June 30, 2005. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality ("MDEQ"), 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. 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.

**NOTE 13. SETTLEMENT OF INCOME TAX CONTINGENCY**

In the third quarter of fiscal year 2005, the Company paid \$87 of federal and state taxes and interest (excluding \$4 of federal tax benefits) related to an agreement reached with the Internal Revenue Service resolving certain tax issues originally arising in the period from 1997 through 2000. In the first quarter of fiscal year 2006, the Company paid \$151 of federal and state taxes and interest (excluding \$13 of federal tax benefits), related to this agreement. During the third quarter of fiscal year 2005, the Company released approximately \$23 in excess tax accruals related to this matter, thereby reducing the fiscal year 2005 third-quarter income tax expense on continuing operations.

**NOTE 14. SEGMENT RESULTS**

Information regarding the Company's operating segments is shown below. Each segment is individually managed with separate operating results that are reviewed regularly by the chief operating decision makers. The operating segments include:

Household Group — North America: Includes U.S. bleach, cleaning, water-filtration, automotive-care and professional products; and all products marketed in Canada.

Specialty Group: Includes the plastic bags, wraps and containers businesses marketed in the United States; charcoal; cat litter; and food products.

International: Includes U.S. exports and operations outside the United States and Canada.

Corporate includes certain nonallocated administrative costs, amortization of trademarks and other intangible assets, interest income, interest expense, foreign exchange gains and losses, and other nonoperating income and expense.

The table below represents operating segment information.

	Net Sales			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Household Group — North America	\$ 531	\$ 510	\$ 1,550	\$ 1,483
Specialty Group	466	426	1,296	1,219
International	160	150	479	432
Total Company	<u>\$ 1,157</u>	<u>\$ 1,086</u>	<u>\$ 3,325</u>	<u>\$ 3,134</u>

  

	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Household Group — North America	\$ 162	\$ 161	\$ 493	\$ 482
Specialty Group	110	96	281	261
International	33	27	101	94
Corporate <sup>(1)</sup>	(137)	(147)	(433)	(339)
Total Company	<u>\$ 168</u>	<u>\$ 137</u>	<u>\$ 442</u>	<u>\$ 498</u>

(1) The increased Corporate costs in the nine months ended March 31, 2006, were primarily due to a \$20 gain recognized on the exchange of the equity investment in Henkel Iberica during the three months ended December 31, 2004, higher interest costs associated with the offering of \$1,650 in senior notes in connection with the Henkel Share Exchange and additional share-based compensation of \$23 upon the adoption of SFAS No. 123-R.

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, were 25% and 26% of consolidated net sales for the three months ended March 31, 2006 and 2005, respectively and 26% and 27% of consolidated net sales for the nine months ended March 31, 2006 and 2005, respectively.

**Item 2. Management’s Discussion and Analysis of  
Financial Condition and Results of Operations**  
(Dollars in millions, except share and per-share amounts)

The following discussion of the Company’s financial condition and results of operations should be read in conjunction with the Company’s consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2005, which was filed with the Securities and Exchange Commission (“SEC”) on August 31, 2005, and the unaudited condensed consolidated financial statements and related notes contained in this quarterly report on Form 10-Q. Certain reclassifications were made in the prior periods’ results to conform to the current periods’ presentation.

Comparison of the Results of Operations for the Three and Nine Months Ended March 31, 2006,  
With the Three and Nine Months Ended March 31, 2005

Management’s discussion and analysis of the results of operations, unless otherwise noted, compares the three and nine months ended March 31, 2006 (the “current periods”), to the three and nine months ended March 31, 2005 (the “prior periods”), using percentages calculated on a rounded basis, except as noted. In certain instances, parenthetical references are made to relevant sections of the Notes to Condensed Consolidated Financial Statements to direct the reader to additional information.

	Three Months Ended					Nine Months Ended				
	3/31/2006			3/31/2005		3/31/2006			3/31/2005	
	Total	% Change	% of Net Sales	Total	% of Net Sales	Total	% Change	% of Net Sales	Total	% of Net Sales
Diluted net earnings per common share from continuing operations	\$ 0.72	-4%		\$ 0.75		\$ 1.97	2%		\$ 1.93	
Net sales	1,157	7%	100.0%	1,086	100.0%	3,325	6%	100.0%	3,134	100.0%
Gross profit	480	6%	41.5%	454	41.8%	1,382	3%	41.6%	1,342	42.8%
Selling and administrative expenses	140	1%	12.1%	139	12.8%	445	10%	13.4%	403	12.9%
Advertising costs	112	6%	9.7%	106	9.8%	324	7%	9.7%	303	9.7%
Research and development costs	25	14%	2.2%	22	2.0%	73	14%	2.2%	64	2.0%

**Diluted net earnings per common share from continuing operations** decreased by \$0.03 for the current quarter, as compared to the year-ago quarter. Higher net sales in the current quarter were offset by increases in raw-material and logistics costs and a higher effective tax rate, as well as the factors discussed below.

Diluted net earnings per common share from continuing operations increased by \$0.04 for the nine months ended March 31, 2006, as compared to the nine months ended March 31, 2005 (the “year-ago period”). This increase was driven by the lower level of shares outstanding during the nine months ended March 31, 2006 (the “current period”), resulting from the share exchange of 61.4 million shares previously held by Henkel KGaA (“Henkel”), and higher net sales. Partially offsetting this impact was higher raw-material and logistics costs, higher interest expense and additional share-based compensation expense in the nine months ended March 31, 2006, as well as a gain and associated equity earnings and tax effects of \$27 recognized on the exchange of Henkel Iberica, S.A. joint venture (“Henkel Iberica”) during the nine months ended March 31, 2005.

**Net sales** increased by 7% and 6% in the current periods, respectively, compared to the prior periods. Volume was flat for the current quarter and increased by 1% for the year-ago period. Increased shipments of home-care products, products in Latin America, cat litter, and institutional products, were largely offset by declines in auto-care products, laundry products and Brita® water-filtration systems. Net sales growth outpaced volume growth in the current quarter primarily due to the benefit of price increases and trade-promotion spending efficiencies. Net sales growth outpaced volume growth in the nine months ended March 31, 2006, primarily due to the benefit of price increases, and decreased trade-promotion spending compared to the year-ago period and trade-promotion spending efficiencies in the current period.

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**Gross profit** decreased by 30 basis points and 120 basis points as a percentage of net sales for the current periods, respectively, compared to the prior periods. This decline was primarily due to higher raw-material and logistics costs, partially offset by price increases and continuing cost savings in the current periods.

The Company is taking a number of measures to respond to the economic conditions that have led to increased raw-material and energy costs. In the third quarter of fiscal year 2006, the Company implemented price increases ranging from 5% to 15% on approximately 40% of its portfolio, including Glad ® trash bags, Clorox ® liquid bleach and Brita pitchers and filters. The Company is also continuing to pursue additional cost savings.

**Selling and administrative expenses** increased by 1% and 10% in the current periods, respectively, as compared to the prior periods, primarily due to the recognition of additional share-based compensation costs upon the adoption of Statement of Financial Accounting Standards (“SFAS”) No. 123-R, which resulted in incremental selling and administrative costs of \$6 and \$18 in the current periods, respectively. In addition, in the three months ended March 31, 2005, the Company recorded a cumulative accrual for its performance unit grants which vested in September 2005.

**Advertising costs** increased by 6% and 7% in the current periods, respectively, compared to the prior periods, primarily due to higher spending for new product launches and increased marketing investment.

**Research and development costs** increased by 14% in each of the current periods due to higher compensation expense, which reflected the adoption of SFAS No. 123-R and additional personnel.

**Restructuring and asset impairment costs** of \$37 in the year-ago period related primarily to the supply chain restructuring initiative for the Glad plastic bags, wraps and containers business, which is part of the Specialty Group operating segment.

**Interest expense** increased by \$6 and \$43 in the current periods driven primarily by interest costs associated with the December 2004 offering of \$1,650 in senior notes in connection with the Henkel share exchange as well as higher average interest rates.

**Other (income) expense** was \$2 for each of the current periods, compared to \$18 and (\$15), respectively, for the prior periods. The three months ended March 31, 2005, included a \$13 charge related to the Company’s investment in low-income housing partnerships and a \$5 increase to the environmental reserve. In addition to these items, the nine months ended March 31, 2005, included a non-recurring \$20 gain recognized on the exchange of the equity investment in Henkel Iberica, a favorable mark-to-market adjustment of \$7 on one of the Company’s commodity derivative contracts and other smaller items.

**The effective tax rate on continuing operations** was 34.5% and 31.9% for the current periods, respectively, as compared to 15.2% and 27.5% for the prior periods, respectively, on an unrounded basis. The effective tax rate was lower in the year-ago quarter due principally to the release of tax accruals related to the tax settlement with the Internal Revenue Service. When comparing the current and prior year nine months ended, the lower rate primarily resulted from the release of excess tax accruals related to the tax settlement and the nontaxable gain on the exchange of the Company’s equity investment in Henkel Iberica.

**Earnings from discontinued operations** was \$579 for the nine months ended March 31, 2005. The Company recognized a gain of \$550 and earnings of \$36 from the exchanged operating businesses during the year-ago period.

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The table below represents operating segment information.

	Net Sales			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Household Group — North America	\$ 531	\$ 510	\$ 1,550	\$ 1,483
Specialty Group	466	426	1,296	1,219
International	160	150	479	432
Total Company	<u>\$ 1,157</u>	<u>\$ 1,086</u>	<u>\$ 3,325</u>	<u>\$ 3,134</u>

  

	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Nine Months Ended	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Household Group — North America	\$ 162	\$ 161	\$ 493	\$ 482
Specialty Group	110	96	281	261
International	33	27	101	94
Corporate	(137)	(147)	(433)	(339)
Total Company	<u>\$ 168</u>	<u>\$ 137</u>	<u>\$ 442</u>	<u>\$ 498</u>

### Household Group — North America

The Household Group — North America reported 4% net sales growth, 3% volume decline and 1% increase in earnings from continuing operations before income taxes in the current quarter as compared to the year-ago quarter. Increased shipments of home-care products including Pine-Sol® cleaner, Clorox disinfecting wipes and the new Clorox Anywhere Hard Surface™ sanitizing spray, were more than offset by decreased shipments of Armor All® and STP® auto-care products primarily due to an unfavorable comparison to the year-ago quarter, when the Company introduced Armor All gels, and the impact of poor weather conditions in early-season warm-climate markets. Also contributing to the volume decline were reduced shipments of Clorox liquid bleach and Brita water-filtration systems, primarily due to the impact of price increases. Net sales growth outpaced volume growth primarily due to the benefit of price increases and trade-promotion spending efficiencies. Earnings from continuing operations before income taxes reflected the benefit of higher net sales and cost savings, substantially offset by higher costs for raw-materials, warehousing and transportation, and increased marketing investment behind new products and the Company's health and wellness platform.

Compared with the year-ago period, the segment reported 5% net sales growth, flat volume and 2% growth in earnings from continuing operations before income taxes during the nine months ended March 31, 2006. Strong shipments of home-care products, including Clorox disinfecting wipes and Pine-Sol cleaner were offset by lower shipments of Armor All auto-care products, Clorox Bleach Pen®, Clorox liquid bleach and Brita water-filtration systems. The variance between the net sales growth and volume growth was primarily the result of price increases, decreased trade-promotion spending compared to the year-ago period and trade-promotion spending efficiencies in the current period, and favorable Canadian exchange rates. Earnings from continuing operations before income taxes reflected a favorable comparison to the year-ago period primarily due to the benefits of cost savings and higher net sales, partially offset by unfavorable costs for raw-materials and increased marketing investment behind new products and the Company's health and wellness platform.

### Specialty Group

The Specialty Group reported 9% net sales growth, 2% volume growth and 15% growth in earnings from continuing operations before income taxes in the current quarter as compared to the year-ago quarter. The segment delivered increased shipments of Hidden Valley® salad dressing, Scoop Away® and Fresh Step® scoopable cat litter, Glad trash bags and Kingsford® charcoal, substantially offset by decreased shipments of Glad plastic wrap and food bags and K C Masterpiece® barbecue sauce. Net sales growth outpaced volume growth primarily due to the benefit of price increases, trade-promotion spending efficiencies and favorable product mix. Earnings from continuing operations before income taxes primarily reflected the benefit of higher net sales and cost savings in the recent quarter. These factors were partially offset by higher raw-material costs in the current quarter.

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Compared to the year-ago period, the segment reported 6% net sales growth, flat volume and 8% growth in earnings from continuing operations before income taxes during the nine months ended March 31, 2006. Increased shipments of cat litter, Hidden Valley Ranch salad dressing and Glad trash bags, were offset by lower shipments of Glad plastic wrap and food bags and K C Masterpiece barbecue sauce. Net sales growth outpaced volume growth primarily due to price increases, and decreased trade-promotion spending due to higher new product spending in the year-ago period and trade-promotion spending efficiencies in the current period. Earnings from continuing operations before income taxes primarily reflected the benefit of higher net sales, cost savings, and a favorable comparison to the year-ago period, when the Company recorded restructuring and asset impairment charges related to the Glad product supply chain. These factors were partially offset by higher raw-material costs in the current year.

### International

The International segment reported net sales growth of 7% and 11%, and volume growth of 4% and 6%, respectively, for the current periods, as compared to prior periods. Increased shipments of home-care products in Latin America were slightly offset by lower volume in Australia due to the discontinuation of a low-margin product line earlier in the year. Net sales growth outpaced volume growth primarily due to price increases.

Earnings from continuing operations before income taxes increased 22% and 7% in the current periods, respectively, as compared to prior year periods. This increase primarily reflects the benefit of higher net sales and cost savings.

### Corporate

Losses from continuing operations before income taxes attributable to Corporate activities decreased by 7% for the current quarter, as compared to the year-ago quarter. The decrease was primarily due to a \$13 charge related to the low-income housing partnerships and an increase to the environmental reserve in the year ago quarter, partially offset by current period factors, including an increase in accruals for incentive compensation, higher interest costs associated with the offering of \$1,650 in senior notes and additional share-based compensation costs upon the adoption of SFAS No. 123-R.

Losses from continuing operations before income taxes attributable to Corporate activities increased by 28% for the nine months ended March 31, 2006, as compared to the year-ago period. The increased costs were primarily due to higher current period interest costs associated with the offering of \$1,650 in senior notes, additional share-based compensation costs upon the adoption of SFAS No. 123-R, an increase in accruals for incentive compensation in the current period and an unfavorable comparison to the year-ago period when the Company recognized a non-recurring \$20 gain on the exchange of the equity investment in Henkel Iberica.

## Financial Condition, Liquidity and Capital Resources

### Operating Activities

The Company's financial condition and liquidity remain strong as of March 31, 2006. Net cash provided by operations was \$221 for the nine months ended March 31, 2006, compared with \$463 in the comparable year-ago period. The decrease in operating cash flows was primarily due to lower earnings, changes in payable and accrued liability balances primarily due to the timing of payments and the \$151 income tax settlement as described in Note 13 ("Income Statement Settlement").

### *Working Capital*

The Company's balance of working capital, defined in this context as total current assets net of total current liabilities, was consistent at March 31, 2006, as compared to June 30, 2005.

During the nine months ended March 31, 2006, working capital liabilities decreased primarily as a result of the \$151 Income Tax Settlement payment and the overall timing of payments. The \$54 increase in inventories was driven primarily by a build in charcoal inventory to support seasonal sales. These working capital increases were offset by the reclassification to current liabilities of \$150 from long-term debt related to a senior unsecured note and debenture balance due in March 2007 and additional commercial paper borrowings, net of maturities, to finance the Income Tax Settlement payment and share repurchases. In addition, the \$25 decrease in receivables was driven primarily by overall improved collection rates and seasonality of the sales and collections in the charcoal category.



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### *Share Exchange Agreement*

On November 22, 2004, the Company completed the exchange of its ownership interest in a subsidiary for Henkel's interest in Clorox common stock ("Share Exchange Agreement"). Prior to the completion of the exchange, Henkel owned approximately 61.4 million shares, or about 29%, of the Company's outstanding common stock. The subsidiary transferred to Henkel contained Clorox's insecticides and Soft Scrub® cleanser businesses, its 20% interest in Henkel Iberica, and \$2,095 in cash. As result of the exchange, the Company recognized a total gain of \$570 and reversed a total of \$8 of deferred income taxes. Of the total gain recognized, \$550 related to the exchanged operating businesses and was included in discontinued operations and \$20 related to Henkel Iberica and was included in continuing operations.

### **Investing Activities**

Capital expenditures were \$122 during the nine months ended March 31, 2006, compared to \$89 in the comparable prior year period. Capital spending as a percentage of net sales was 3.7% during the nine months ended March 31, 2006, compared to 2.8% during the nine months ended March 31, 2005. Higher capital expenditures in the nine months ended March 31, 2006, were driven in part by additional investment related to charcoal manufacturing.

### **Financing Activities**

During the nine months ended March 31, 2006 and 2005, cash flows from continuing operations and short-term borrowings exceeded cash requirements to fund capital expenditures, dividends and scheduled debt service.

Cash flows used for financing during the nine months ended March 31, 2005, included a \$133 payment from The Procter & Gamble Company ("P&G") to exercise an option to increase its interest from 10% to 20% in the venture related to the Company's Glad plastic bags, wraps and containers business.

### *Credit Arrangements*

As of March 31, 2006, the Company had a \$1,300 domestic credit agreement, \$165 of which expires in 2009 with the remainder expiring in 2010. There were no borrowings under this credit agreement, which is available for general corporate purposes and to support commercial paper issuances. In addition, the Company had \$42 of foreign working capital credit lines and other facilities at March 31, 2006, of which \$23 was available for borrowing. The Company is in compliance with all restrictive covenants and limitations as of March 31, 2006. The Company does not anticipate any problems in securing future credit agreements.

### *Share Repurchases*

The Company has two share repurchase programs; an open market program, which has a remaining authorization of \$768; and a program to offset the impact of share dilution related to share-based awards ("evergreen program").

During the nine months ended March 31, 2006, the Company acquired 2.4 million shares of its common stock at a total cost of \$135 under the evergreen program. During the nine months ended March 31, 2006, the Company repurchased shares under this program to offset the impact of share dilution from the anticipated number of annual stock option exercises and performance units vesting. The amount of repurchases in any given quarter is influenced by the Company's view of the market and the Company's share price. There were no share repurchases under the open market program during the nine months ended March 31, 2006.

During the nine months ended March 31, 2005, the Company acquired approximately 61.4 million shares of its common stock from Henkel at a total cost of \$2,843, including the value of the exchanged operating businesses and the equity interest transferred to Henkel. There were no repurchases under either the evergreen or open-market program during the nine months ended March 31, 2005.



### *Share-Based Compensation Plans*

Effective July 1, 2005, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with SFAS No. 123-R, *Share-Based Payment*. Prior to July 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS No. 123-R and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the nine months ended March 31, 2006 include: 1) amortization related to the remaining unvested portion of all stock option awards granted prior to July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*; and 2) amortization related to all stock option awards granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123-R.

The compensation expense and related income tax benefit recognized in the income statement in the nine months ended March 31, 2006, for stock options, performance units and restricted stock awards was \$35 and \$11, respectively, which includes the impact of \$23 and \$7, respectively, from the adoption of SFAS No. 123-R. As of March 31, 2006, there was \$55 of total unrecognized compensation cost related to nonvested stock options and restricted stock awards, which is expected to be recognized over a weighted-average vesting period of three years.

The Company continues to estimate the fair value of each stock option award on the date of grant using the Black-Scholes valuation model. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Previously, under SFAS No. 123, the Company did not utilize separate employee groupings in the determination of stock option values. The Company now estimates stock option forfeitures based on historical data for each 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. During the nine months ended March 31, 2006, adjustments totaled less than \$1.

Detailed below is a discussion of the Company’s performance unit programs subsequent and prior to the adoption of SFAS 123-R.

The Company’s performance unit grants subsequent to the adoption of SFAS No. 123-R provide for the issuance of common stock to certain employee staff and senior management if the Company achieves specified performance targets. The performance unit grants generally vest after three years. The fair value of each grant issued after the adoption of SFAS No. 123-R is estimated on the date of grant based on the 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 the anticipated number of units to vest. If such goals are not met, any previously recognized compensation expense is reversed.

During the nine months ended March 31, 2006, the Company granted 0.5 million performance units, which had a weighted-average fair value on the grant date of \$57 per share. The number of shares issued is dependent upon vesting and the achievement of specified performance targets. As of March 31, 2006, there was \$19 of total unrecognized compensation cost related to nonvested performance unit grants issued after the adoption of SFAS No. 123-R, which is expected to be recognized over a remaining weighted-average performance period of two years. The Company recognized \$6 of compensation expense in the nine months ended March 31, 2006, related to the performance units granted during the period.

Prior to the adoption of SFAS No. 123-R, the Company granted performance units to certain members of management that provided for the issuance of common stock if the Company’s stock performance meets specified performance goals based on comparisons with the performance of a selected peer group of companies. In fiscal year 2005, the Company began accruing a liability for the performance unit grants, which vested in September 2005. In addition, in fiscal year 2006, the Company began accruing for performance unit grants which are scheduled to vest in September 2006 after it was determined that it was likely that certain performance goals would be met. In the three and nine months ended March 31, 2006, the Company recognized zero and \$6, respectively, of additional expense related to grants made prior to the adoption of SFAS 123-R. Performance units granted prior to the adoption of SFAS No. 123-R also include a grant that is scheduled to vest in September 2007. The Company has not yet recorded a liability related to these units because the vesting dates extend too far into the future to reasonably estimate whether the performance goals will be achieved. As of March 31, 2006, there were 0.3 million performance units outstanding related to performance units granted prior to the adoption of SFAS No. 123-R, of which 0.1 million have vested. The total fair value of shares vested in the nine months ended March 31, 2006 was \$6.

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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 stock-based compensation awards, including stock options, performance units and restricted stock. As a result of the adoption of the 2005 Plan, no further awards have been or will be granted from any prior plans, including the 1996 Stock Incentive Plan and the 1993 Directors' Stock Option Plan.

### *Valuation of Intangible Assets*

In the third fiscal quarter of 2006, the Company performed its annual review of intangible assets, including reviews of the Colombia and Venezuela reporting units, and no instances of impairment were identified. The Company is closely monitoring any events, circumstances, or changes in the businesses that might imply a reduction in the fair value and might lead to impairments.

### *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. The Company's aggregate maximum exposure from these agreements is \$299, which consists primarily of an indemnity of up to \$250 made to Henkel in connection with the Share Exchange Agreement, subject to a minimum threshold of \$12 before any payments would be made. The general representations and warranties made by the Company in connection with the Henkel Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal, and other matters and have terms with varying expiration dates.

In addition to the indemnifications related to the general representations and warranties, the Company entered into an agreement with Henkel regarding certain tax matters. The Company made certain representations of fact as of the closing date of the exchange transaction and certain representations and warranties regarding future performance designed to preserve the tax-free status of the exchange transaction. In general, the Company agreed to be responsible for Henkel's taxes on the transaction if the Company's actions result in a breach of the representations and warranties in a manner that causes the share-exchange to fail to qualify for tax-free treatment. Henkel has agreed to similar obligations. The Company is unable to estimate the amount of maximum potential liability relating to the tax indemnification as the agreement does not specify a maximum amount and the Company does not have the information that would be required to calculate this exposure. The Company does note, however, that the potential tax exposure, if any, could be very significant as the Company believes Henkel's tax basis in the shares exchanged is low and the value of the subsidiary stock transferred to Henkel in the exchange transaction was approximately \$2,800. Although the agreement does not specify an indemnification term, any exposure under the agreement would be limited to taxes assessed prior to the expiration of the statute of limitations period for assessing taxes on the share exchange transaction. Based on the nature of the representations and warranties as well as other factors, the Company has not accrued any liability under this indemnity.

The Company is a party to a \$22 letter of credit issued to one of its insurance carriers.

The Company has not recorded any liabilities on any of the aforementioned guarantees at March 31, 2006.

### *Environmental Contingencies*

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of \$28 and \$33 at March 31, 2006, and June 30, 2005, 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 March 31, 2006, and June 30, 2005. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality (“MDEQ”), 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. 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.

### Cautionary Statement

Except for historical information, matters discussed above and in the financial statements and footnotes and other parts of this report, including statements about future volume, sales, costs, cost savings, earnings, cash outflows, pension liabilities, plans, objectives, expectations, growth, or profitability, are forward-looking statements based on management’s estimates, assumptions and projections. Words such as “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 above and in the financial statements and footnotes. 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 the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, as updated from time to time in the Company’s SEC filings. These factors include, but are not limited to, general economic and marketplace conditions and events; competitors’ actions; the Company’s costs, including changes in exposure to commodity costs such as resin, diesel and chlor-alkali; increases in energy costs; consumer and customer reaction to price increases; customer-specific ordering patterns and trends; the Company’s actual cost performance; any future supply constraints which may affect key commodities; risks inherent in sole-supplier relationships; risks related to customer concentration, risks arising out of natural disasters; risks inherent in litigation and international operations; uncertainties regarding a change in the Company’s chief executive officer; the ability to manage and realize the benefits of joint ventures and other cooperative relationships, including the Company’s joint venture with P&G regarding the Company’s Glad plastic bags, wraps and containers business; the success of new products; the integration of acquisitions and mergers; the divestiture of non-strategic businesses; the implementation of the Company’s strategy; and the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property and environmental matters, including the risk resulting from joint and several liability for environmental contingencies. In addition, the Company’s future performance is subject to risks particular to the share-exchange transaction with Henkel, including the sustainability of cash flows and the actual level of debt costs. Declines in cash flow, whether resulting from tax payments, debt payments, share repurchases, interest cost increases greater than management expects, or otherwise, could adversely affect the Company’s earnings.

The Company’s forward-looking statements in this document are and will be based on management’s then 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.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

Although the Company is taking a number of measures, including price increases, to respond to the economic conditions that have led to increased raw-material and energy costs, there have not been any material changes to the Company's market risk during the three and nine months ended March 31, 2006. For additional information, refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005.

**Item 4. Controls and Procedures**

The Company's management, with the participation of the Company's interim 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 interim 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 designed and are functioning effectively to provide reasonable assurance 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 interim chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure. There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II — OTHER INFORMATION (Unaudited)**

**Item 1. Legal Proceedings**

None.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table sets forth 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 third quarter of fiscal year 2006.

Period	[a] Total Number of Shares (or Units) Purchased or Otherwise Acquired (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) that May Yet Be Purchased Under the Plans or Programs(2)
January 1 to 31, 2006	None	\$ —	None	\$767,723,099
February 1 to 28, 2006	None	\$ —	None	\$767,723,099
March 1 to 31, 2006	126	\$62.32	None	\$767,723,099

- (1) The shares purchased in March 2006 relate entirely to the surrender to the Company of shares of common stock to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees.
- (2) The board of directors approved a \$500,000,000 share repurchase program on August 7, 2001, all of which has been utilized; a \$500,000,000 share repurchase program on July 17, 2002, of which \$67,723,099 remains available for repurchases; and a \$700,000,000 share repurchase program on July 16, 2003, all of which remains available for repurchases. On September 1, 1999, the Company also 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 3. Defaults Upon Senior Securities**

None.

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### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

#### (a) Exhibits

- (10-1) The Clorox Company 2005 Nonqualified Deferred Compensation Plan.
- (10-2) The Amended and Restated Clorox Company Supplemental Executive Retirement Plan.
- (10-3) Form of Amended and Restated Change in Control Agreement.
- (10-4) Form of Amendment No. 1 to Employment Agreement.
- (10-5) Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan.
- (10-6) Form of Restricted Stock Award Agreement under the Company's 2005 Stock Incentive Plan.
- (10-7) Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.
- (10-8) Schedule of Interim Chairman and Interim Chief Executive Officer Compensation.
- (31-1) Certification by the Interim Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (31-2) Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (32) Certification by the Interim Chief Executive Officer and Chief Financial Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements 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  
(Registrant)

DATE: May 4, 2006

BY /s/ Thomas D. Johnson  
Thomas D. Johnson  
Vice President — Controller

EXHIBIT INDEX

Exhibit No.

(b)

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**THE CLOROX COMPANY  
2005 NONQUALIFIED DEFERRED COMPENSATION PLAN  
(Effective January 1, 2005)**

**ARTICLE I.  
PURPOSE**

This Plan is designed to restore to selected employees of The Clorox Company and its Affiliates certain benefits that cannot be provided under The Clorox Company's tax-qualified retirement plans. In addition, this Plan permits selected employees to defer bonuses and regular pay.

This Plan is the successor plan to The Clorox Company Nonqualified Deferred Compensation Plan, as amended through March 3, 1997 (the "Prior Plan"). Effective December 31, 2004, the Prior Plan shall be frozen and no new contributions or deferrals shall be made to it; provided, however, that any vested contributions, vested accruals and deferrals made under the Prior Plan before January 1, 2005 shall continue to be governed by the terms and conditions of the Prior Plan as in effect on December 31, 2004.

Any contributions, accruals and deferrals made under the Prior Plan after December 31, 2004 and any contributions or accruals that were unvested on December 31, 2004 shall be deemed to have been made under this Plan and all such contributions, accruals and deferrals shall be governed by the terms and conditions of this Plan as it may be amended from time to time.

This Plan is intended to be a plan that is unfunded and that is maintained by The Clorox Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of the Employee Retirement Income Security Act. This Plan also is intended to comply with the requirements of Section 409A of the Code.

**ARTICLE II.  
DEFINITIONS**

In this Plan, the following terms have the meanings indicated below.

2.01 "Account" means a bookkeeping entry used to record deferrals and contributions made on a Participant's behalf under Article III of the Plan and gains and losses credited to these deferrals and contributions under Article IV of the Plan.

2.02 "Affiliate" means an entity other than the Company whose employees participate in The Clorox Company 401(k) Plan and/or The Clorox Company Pension Plan.

2.03 "Beneficiary" means the person or persons, natural or otherwise, designated in writing, to receive a Participant's vested Account if the Participant dies before distribution of his or her entire vested Account. A Participant may designate one or more primary Beneficiaries and one or more secondary Beneficiaries. A Participant's Beneficiary designation will be made pursuant to such procedures as the Committee may establish, and delivered to the Committee before the Participant's death. The Participant may revoke or change this designation at any time

before his or her death by following such procedures as the Committee may establish. If the Committee has not received a Participant's Beneficiary designation before the Participant's death or if the Participant does not otherwise have an effective Beneficiary designation on file when he or she dies, the Participant's vested Account will be distributed to the Participant's spouse if surviving at the Participant's death, or if there is no such spouse, the Participant's children in equal shares, or if none, the Participant's estate.

2.04 "Board" means the Board of Directors of the Company.

2.05 "Bonus" means one or more cash bonuses designated from time to time by the Committee as eligible for deferral under this Plan, including Cash-or-Deferred Value Sharing Bonus, and/or an award under The Clorox Annual Incentive Plan and/or The Clorox Executive Incentive Compensation Plan and/or a Sales Added Compensation Bonus.

2.06 "Change in Control" means the effective date of any one of the following events but only to the extent that such change in control transaction is a change in the ownership or effective control the Company or a change in the ownership of a substantial portion of the assets of the Company as defined in the regulations promulgated under Section 409A of the Code:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act ) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, including any acquisition which, by reducing the number of shares outstanding, is the sole cause for increasing the percentage of shares beneficially owned by any such Person to more than the applicable percentage set forth above, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason within any period of 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) is represented by Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such Business Combination) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

2.07 "The Clorox Company 401(k) Plan" means The Clorox Company 401(k) Plan, as amended from time to time. "Value Sharing Plan Year" means the plan year defined in The Clorox Company 401(k) Plan and "Value Sharing Contribution" means a Value Sharing Contribution (including forfeitures) as described in The Clorox Company 401(k) Plan.

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

2.09 "Committee" means the Company's Employee Benefits Committee or another group appointed by the Management Development and Compensation Committee of the Company's Board of Directors. The Committee has full, discretionary authority to administer and interpret the Plan, to determine eligibility for Plan benefits, to select employees for Plan participation, and to correct errors. The Committee may delegate its duties and responsibilities and, unless the Committee expressly provides to the contrary, any such delegation will carry with it the Committee's full discretionary authority to accomplish the delegation. Decisions of the Committee and its delegate will be final and binding on all persons.

2.10 "Company" means The Clorox Company.

2.11 "Compensation Limit" means the \$210,000 (indexed) limit of Section 401(a)(17) of the Code, which limits the compensation that can be taken into account when determining benefits under a tax-qualified retirement plan.

2.12 “Disability” means that an individual is eligible for disability benefits under the Federal Social Security Act as determined by the Social Security Administration.

2.13 “Eligible Employee” means an employee of the Company or of an Affiliate who has been selected by the Committee for Plan participation and who, except as provided in Section 3.01(c), has confirmed his or her participation in writing with the Committee before the calendar year in which deferrals and/or restoration contributions under this Plan are made on that employee’s behalf. An individual will cease to be an Eligible Employee on the earliest of (i) the date the individual ceases to be employed by the Company and all Affiliates, (ii) the date the Plan is terminated, or (iii) the date the individual is notified by the Committee that he or she is no longer an Eligible Employee. In addition to the foregoing, the Committee may, in its discretion, deny eligibility to any employee or group of employees who may previously have been Eligible Employees.

2.14 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

2.15 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.16 “Identification Date” means each December 31.

2.17 “Key Employee” means a Participant who, on an Identification Date, is:

(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 officers of the Company shall be determined to be Key Employees as of any Identification Date;

(b) A five percent owner of the Company; or

(c) A one percent owner of the Company having annual compensation from the Company of more than \$150,000.

If a Participant is identified as a Key Employee on an Identification Date, then such Participant shall be considered a Key Employee for purposes of the Plan during the period beginning on the first April 1 following the Identification Date and ending on the next March 31.

2.18 “Mid-Year Entrant” means an individual (i) who has never been a Participant and (ii) who is first notified that he or she has been selected for Plan participation during the calendar year in which his or her Plan participation will begin.

2.19 “Participant” means a current or former Eligible Employee who retains an Account.

2.20 “Pension Plan” means The Clorox Company Pension Plan, as amended from time to time. “Pension Plan Year” means the plan year defined in the Pension Plan and “Cash Balance Contribution” means a cash balance contribution as defined in the Pension Plan.

2.21 “Plan” means The Clorox Company 2005 Nonqualified Deferred Compensation Plan, as amended from time to time.

2.22 “Prior Plan” means The Clorox Company Nonqualified Deferred Compensation Plan as in effect on December 31, 2004.

2.23 “Regular Pay” means the pre-tax amount of an Eligible Employee’s base salary. Regular Pay is determined on a “paycheck by paycheck” basis.

2.24 “Separation from Service” means termination of employment with the Company and all Affiliates, other than by reason of death. A Participant shall not be deemed to have Separated from Service if the Participant continues to provide services to the Company or any of its Affiliates in a capacity other than as an employee and if the former employee is providing services at an annual rate that is fifty percent or more of the services rendered, on average, during the immediately preceding three full calendar years of employment with the Company or any of its Affiliates (or if employed by the Company or any of its Affiliates less than three years, such lesser period) and the annual remuneration for such services is fifty percent or more of the annual remuneration earned during the final three full calendar years of employment (of if less, such lesser period); provided, however, that a Separation from Service will be deemed to have occurred if a Participant’s service with the Company or any of its Affiliates is reduced to an annual rate that is less than twenty percent of the services rendered, on average, during the immediately preceding three full calendar years of employment with the Company or any of its Affiliates (or if employed by the Company or any of its Affiliates less than three years, such lesser period) or the annual remuneration for such services is less than twenty percent of the annual remuneration earned during the three full calendar years of employment with the Company or any of its Affiliates (or if less, such lesser period).

2.25 “Unforeseeable Emergency” means a severe financial hardship to the Participant or Beneficiary resulting from:

(a) An illness or accident of the Participant or Beneficiary, the Participant’s or Beneficiary’s spouse, or the Participant’s or Beneficiary’s dependent (as defined in Section 152(a) of the Code); or

(b) Loss of the Participant’s or Beneficiary’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or

(c) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary.

Hardship shall not constitute an Unforeseeable Emergency under the Plan to the extent that it is, or may be, relieved by:

(d) Reimbursement or compensation, by insurance or otherwise;

(e) Liquidation of the Participant's or Beneficiary's assets to the extent that the liquidation of such assets would not itself cause severe financial hardship. Such assets shall include but not be limited to stock options, Company stock, and 401(k) plan balances;

(f) Cessation of deferrals under the Plan.

An Unforeseeable Emergency under the Plan does not include (among other events):

(a) Sending a child to college; or

(b) Purchasing a home.

### **ARTICLE III. DEFERRALS AND CONTRIBUTIONS**

3.01 Deferrals. An Eligible Employee may elect to defer up to 50% of his or her Regular Pay and up to 100% of each Bonus for which he or she is eligible by submitting a written election to the Committee that satisfies such requirements, including such minimum deferral amounts, as the Committee may determine. Participants will be 100% vested in these deferrals.

(a) Elections. For each calendar year, an Eligible Employee may make three separate deferral elections: an election to defer Regular Pay, an election to defer his or her Cash-or-Deferred Value Sharing Bonus (if any), and an election to defer all other types of Bonus (if any). Each such election must be made before the calendar year in which the Regular Pay and/or applicable Bonus is earned or, if later, with respect to a Bonus that qualifies as performance-based compensation under Section 409A of the Code, no less than 6 months before the end of the applicable bonus performance period. An election is irrevocable after it is made and shall remain in effect for one calendar year; provided, however, that a Participant's election shall be suspended for the remainder of any calendar year in which such Participant receives a distribution on account of an Unforeseeable Emergency and thereafter the Participant must submit a new election to resume participation in the Plan.

(b) Late Election. If an Eligible Employee does not make a timely election for an upcoming calendar year, no deferral will be made on behalf of that Eligible Employee with regard to that election for that upcoming calendar year.

(c) Initial Election. Notwithstanding the timing provisions in paragraph (a) above, a Mid-Year Entrant who is first notified that he is eligible to participate in the Plan on or before September 30 of any calendar year may elect within 30 days after the date the Mid-Year Entrant is notified of his or her eligibility to defer (i) Regular Pay for services to be performed subsequent to the date the election is made and (ii) Bonus earned after the effective date of the initial election. An initial election made pursuant to this paragraph (c) shall remain in effect until the end of the calendar year in which it is made.

3.02 Restoration Contributions. Subject to paragraphs (c), (d), and (e) below, Accounts will be credited with restoration contributions as described below.

(a) Value Sharing. The amount of an Eligible Employee's value sharing restoration contribution for a Value Sharing or Profit Sharing Plan Year shall be equal to the amount by which such Eligible Employee's Value Sharing or Profit Sharing Contribution (including any Cash-or-Deferred Value Sharing) for that Value Sharing or Profit Sharing Plan Year was reduced due to (i) the Compensation Limit and (ii) amounts (excluding any Cash-or-Deferred Value Sharing) voluntarily deferred under this Plan.

(b) Pension. The amount of an Eligible Employee's pension restoration contribution for a Pension Plan Year shall be equal to the amount by which the Eligible Employee's Cash Balance Contribution for that Pension Plan Year was reduced due to (i) the Compensation Limit and (ii) amounts voluntarily deferred under this Plan.

(c) Crediting. Restoration contributions will be credited to Eligible Employees' Accounts as of the date that the Value Sharing Contributions or the Cash Balance Contributions to which the restoration contributions relate are credited to The Clorox Company 401(k) Plan or the Pension Plan, as the case may be.

(d) Vesting. Participants will vest in their restoration contributions at the same percentage rate that they vest in the Value Sharing Contributions or the Pension Plan allocations to which the restoration contributions relate.

(e) Restrictions.

(i) Participation. If an Eligible Employee is not credited with an actual Pension Plan accrual for a given calendar quarter during a Pension Plan Year, that Eligible Employee will not receive a pension restoration contribution under this Plan for that calendar quarter. Similarly, if an Eligible Employee does not receive an actual Value Sharing Contribution for a given Value Sharing Plan Year, that Eligible Employee will not receive a value sharing restoration contribution under this Plan for that year.

(ii) Eligible Employee. In order to receive a restoration contribution under this Plan with respect to a given Value Sharing Plan Year or calendar quarter of a Pension Plan Year, an individual must have been an Eligible Employee during that Value Sharing Plan Year or during the calendar quarter of the Pension Plan Year, as the case may be, but the individual need not be an Eligible Employee on the date the restoration contribution is actually made.

#### **ARTICLE IV. EARNINGS**

4.01 Elections. The Committee may permit Participants to request that earnings on their Accounts be credited as though the Accounts were invested in one or more investments approved by the Committee.

4.02 Interest. To the extent that earnings are not credited as described in Section 4.01 above, the Committee will credit interest to each Account. Interest will be credited quarterly in accordance with procedures approved by the Committee. The interest rate used will be the annual rate of interest on 30-year Treasury securities, as determined in accordance with Section



417(e)(3)(A)(ii)(II) of the Code, for the second month preceding the Company's fiscal year for which the interest is credited, unless and until the Committee elects a new interest crediting rate with respect to this Plan.

## **ARTICLE V. DISTRIBUTIONS**

### **5.01 Distribution Elections .**

(a) Initial Election . Each calendar year, a Participant will elect, in writing, which of the distribution options described in Section 5.02 of the Plan will govern payment of the Participant's vested Account attributable to contributions and deferrals made to the Plan in the subsequent calendar year. For purposes of this Plan, installment payments shall be treated as a single distribution under Section 409A of the Code.

(b) Subsequent Elections . A Participant may change the time and form of an in-service distribution election (as described in Section 5.02 (b)) with respect to all or a portion of his or her Account by submitting the change to the Committee, in writing, at least one calendar year before the originally scheduled in-service distribution date, provided that the new in-service distribution date is at least five years after the originally scheduled in-service distribution date. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant's most recent effective in-service distribution election made under paragraph (a) above will govern the payment of the Participant's vested Account. A Participant may not change the time and form of a Separation from Service distribution (as described in Section 5.02(a)); thus, the Participant's Separation from Service distribution election made under paragraph (a) above is irrevocable for the Plan Year for which it is made.

(c) Special Distribution Election on or before December 31, 2005 . Certain Participants identified by the Committee in its sole discretion may make a special distribution election on or before December 31, 2005. The only distribution option permitted with respect to this special distribution election is payment upon Separation from Service. An election made pursuant to this paragraph (c) shall (i) not be subject to requirements of paragraph (b) above, (ii) be treated as an initial deferral election, and (iii) be subject to any special administrative rules imposed by the Committee including rules intended to comply with Section 409A of the Code and Notice 2005-1, A-19.

(d) Special Distribution Election on or before December 31, 2006 . Certain Participants, including Participants who are no longer eligible to participate in this Plan, who are identified by the Committee in its sole discretion may make a special distribution election to receive a distribution of their vested Accounts in calendar year 2007 or later, provided that the distribution election is made at least twelve months in advance of the newly elected distribution date (and the previously scheduled distribution date, if any) and the election is made no later than December 31, 2006. An election made pursuant to this paragraph (d) shall be subject to any special administrative rules imposed by the Committee including rules intended to comply with Section 409A of the Code and Notice 2005-1, A-19 and rules limiting the portion of the Participants' Accounts to be distributed to that portion attributable to deferrals made in 2005. No election under this paragraph (d) shall (i) change the payment date of any distribution otherwise

scheduled to be paid in 2006 or cause a payment to be paid in 2006, or (ii) be permitted after December 31, 2006.

5.02 Distribution Options.

(a) Separation from Service. All or a portion of a Participant's vested Account may be distributed to the Participant on the date of the Participant's Separation from Service or on January 1 of the calendar year immediately following the Participant's Separation from Service. A Participant may elect a distribution upon his or her Separation from Service in one of the following forms, subject to the timing requirements outlined in paragraph (c) below:

- (i) Lump Sum. Payment in one lump sum.
- (ii) Installments. Payment in up to ten annual installments.

(b) In-Service Distributions. All or a portion of a Participant's vested Account may be distributed to the Participant on a specified date elected by the Participant in one of the following forms, subject to the timing requirements outlined in paragraph (c) below:

- (i) Lump Sum. Payment in one lump sum.
- (ii) Installments. Payment in up to four annual installments.

Notwithstanding an election pursuant to this paragraph (b), if a Participant Separates from Service prior to the specified in-service distribution date, the Participant's vested Account shall be distributed pursuant to his or her election under paragraph (a) above.

(c) Timing. Subject to the provisions of paragraph (e) below, payments made pursuant to paragraphs (a) and (b) above, will not be made earlier than 60 days or later than 90 days ("60/90 Day Rule") after the dates properly elected by the Participant.

(d) Default Distribution. If, upon a Participant's Separation from Service, the Committee does not have a proper distribution election on file for that Participant, the vested portion of that Participant's Account will be distributed to the Participant, following the Participant's Separation from Service, in one lump sum in no event earlier than 60 days or later than 90 days after the Participant's Separation from Service.

(e) Delayed Distribution to Key Employees. Notwithstanding any other provision of this Section 5.02 to the contrary, a distribution scheduled to be made to a Participant upon his or her Separation from Service who is identified as a Key Employee as of the date he Separates from Service shall be delayed for a minimum of six months following the Participant's Separation from Service. Any payment that otherwise would have been made pursuant to this Section 5.02 during such six-month period shall be made not earlier than 60 days or later than 90 days after the six-month anniversary of the Participant's Separation from Service. The identification of a Participant as a Key Employee shall be made by the Committee in its sole discretion in accordance with Section 2.17 of the Plan and Sections 416(i) and 409A of the Code and the regulations promulgated thereunder.

5.03 Rehire. If a Participant's entire Account has not been distributed and/or the Participant was not 100% vested in his or her Account upon Separation from Service and the Participant again becomes an Eligible Employee, distributions to the Participant will cease, amounts forfeited (if any) from the Participant's Account will be restored to the extent required to satisfy Section 3.02(e) of the Plan, and the Participant's distribution election(s) under Section 5.01 will remain in effect as though the Participant had not had a Separation from Service. If a former Participant's entire Account has been distributed and the former Participant was 100% vested in his or her Account upon Separation from Service, the former Participant will make a new distribution election under Section 5.01(a), and may make subsequent distribution elections under Section 5.01(b), if the former Participant again becomes an Eligible Employee.

5.04 Subsequent Credits. Amounts, if any, that become payable to a Participant's Account after distributions have begun from that Account, and before the Participant is rehired or dies, will, be paid out pursuant to the distribution election in effect for that Participant upon his or her Separation from Service.

5.05 Death or Disability. If a Participant dies or becomes Disabled with a vested amount in his or her Account, whether or not the Participant was receiving distributions from that Account at the time of his or her death or Disability, the Participant or his or her Beneficiary will receive the entire vested amount in the Participant's Account in accordance with the distribution election made by the Participant. Such election must be made no later than the time of the Participant's initial deferral election made in accordance with Article V or December 31, 2006 in one of the following forms, subject to the timing requirements outlined in Section 5.02(c) above:

(a) Lump Sum. Payment in one lump sum.

(b) Installments. Payment in up to ten annual installments.

A Participant may change the form of a death or Disability distribution election (as described above) with respect to his or her Account by submitting the change to the Committee, in writing, at least one calendar year before the Participant's death or Disability. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant's most recent effective distribution election made under this Section 5.05 will govern the payment of the Participant's vested Account.

5.06 Unforeseeable Emergency. In the event of a Participant's Unforeseeable Emergency, and upon application by such Participant, the Committee may determine at its sole discretion that payment of all, or part, of such Participant's Account shall be made in one lump sum payment with the last payroll of the month following the month in which the distribution is approved by the Committee. Payments due to a Participant's Unforeseeable Emergency shall be permitted only to the extent reasonably required to satisfy the Participant's need.

5.07 Prohibition on Acceleration. ¶ Notwithstanding any other provision of the Plan to the contrary, no distribution will be made from the Plan that would constitute an impermissible acceleration of payment as defined in Section 409A(a)(3) of the Code and the regulations promulgated thereunder.

5.08 Withholding. The Company will deduct from Plan distributions, or from other compensation payable to a Participant or Beneficiary, amounts required by law to be withheld for taxes with respect to benefits under this Plan. The Company reserves the right to reduce any deferral or contribution that would otherwise be made to this Plan on behalf of a Participant by a reasonable amount, and to use all or a portion of this reduction to satisfy the Participant's tax liabilities under this Section 5.08.

## **ARTICLE VI. MISCELLANEOUS**

6.01 Limitation of Rights. Participation in this Plan does not give any individual the right to be retained in the service of the Company or of any related entity.

6.02 Satisfaction of Claims. Payments to a Participant, the Participant's legal representative, or Beneficiary in accordance with the terms of this Plan will, to the extent thereof, be in full satisfaction of all claims that person may have hereunder against the Committee, the Company, and all Affiliates, any of which may require, as a condition to payment, that the recipient execute a receipt and release in a form determined by the Committee, the Company, or an Affiliate.

6.03 Claims and Review Procedure.

(a) Informal Resolution of Questions. Any Participant or Beneficiary who has questions or concerns about its benefits under the Plan is encouraged to communicate with The Clorox Company Benefits Manager. If this discussion does not give the Participant or Beneficiary satisfactory results, a formal claim for benefits may be made within one year of the event giving rise to the claim in accordance with the procedures of this Section 6.03.

(b) Formal Benefits Claim — Review by Benefits Manager. A Participant or Beneficiary may make a written request for review of any matter concerning its benefits under this Plan. The claim must be addressed to The Clorox Company 2005 U.S. Non-qualified Deferred Compensation Plan, Attn: Benefits Manager 1221 Broadway, Oakland, California 94612-1888. The Benefits Manager shall decide the action to be taken with respect to any such request and may require additional information if necessary to process the request. The Benefits Manager shall review the request and shall issue its decision, in writing, no later than 90 days after the date the request is received, unless the circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the request within the initial 90-day period, and the notice shall state the circumstances requiring the extension and the date by which the Benefits Manager expects to reach a decision on the request. In no event shall the extension exceed a period of 90 days from the end of the initial period.

(c) Notice of Denied Request. If the Benefits Manager denies a request in whole or in part, he or she shall provide the person making the request with written notice of the denial within the period specified in paragraph (b) above. The notice shall set forth the specific reason for the denial, reference to the specific Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the request, an

explanation of why such information is required, and an explanation of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

(d) Appeal to Committee.

(i) A person whose request has been denied in whole or in part (or such person's authorized representative) may file an appeal of the decision in writing with the Committee within 60 days of receipt of the notification of denial. The appeal must be addressed to: The Clorox Company 2005 U.S. Non-qualified Deferred Compensation Plan, 1221 Broadway, Oakland, California 94612-1888. The Committee, for good cause shown, may extend the period during which the appeal may be filed for another 60 days. The appellant and/or his or her authorized representative shall be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, the applicant should be provided reasonable access to and copies of, all documents, records or other information relevant to the appellant's claim.

(ii) The Committee's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Committee shall not be restricted in its review to those provisions of the Plan cited in the original denial of the claim.

(iii) The Committee shall issue a written decision within a reasonable period of time but not later than 60 days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than 120 days after receipt of an appeal. If such an extension is required, written notice shall be furnished to the appellant within the initial 60-day period. This notice shall state the circumstances requiring the extension and the date by which the Committee expects to reach a decision on the appeal.

(iv) If the decision on the appeal denies the claim in whole or in part written notice shall be furnished to the appellant. Such notice shall state the reason(s) for the denial, including references to specific Plan provisions upon which the denial was based. The notice shall state that the appellant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The notice shall describe any voluntary appeal procedures offered by the Plan and the appellant's right to obtain the information about such procedures. The notice shall also include a statement of the appellant's right to bring an action under Section 502(a) of ERISA.

(v) The decision of the Committee on the appeal shall be final, conclusive and binding upon all persons and shall be given the maximum possible deference allowed by law.

(e) Exhaustion of Remedies. No legal or equitable action for benefits under the Plan shall be brought unless and until the claimant has submitted a written claim for benefits

in accordance with paragraph (b) above, has been notified that the claim is denied in accordance with paragraph (c) above, has filed a written request for a review of the claim in accordance with paragraph (d) above, and has been notified in writing that the Committee has affirmed the denial of the claim in accordance with paragraph (d) above; provided, however, that an action for benefits may be brought after the Benefits Manager or Committee has failed to act on the claim within the time prescribed in paragraph (b) and paragraph (d), respectively.

6.04 Indemnification. The Company and its Affiliates will indemnify the Committee, the Board, and employees of the Company and its Affiliates to whom responsibilities have been delegated under the Plan for all liabilities and expenses arising from an act or omission in the management of the Plan if the person to be indemnified did not act dishonestly or otherwise in willful violation of the law under which the liability or expense arises.

6.05 Assignment.

(a) General. To the fullest extent permitted by law, rights to benefits under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of a Participant or a Beneficiary.

(b) Domestic Relations Orders. The procedures established by the Company for the determination of the qualified status of domestic relations orders and for making distributions under qualified domestic relations orders, as provided in Section 206(d) of ERISA, shall apply to the Plan, to the extent pertinent. Amounts awarded to an alternate payee under a qualified domestic relations order shall be distributed in the form of a lump sum distribution as soon as administratively feasible following the determination of the qualified status of the domestic relations order; provided, however, that no portion of the Participant's unvested Account may be awarded to an alternate payee.

6.06 Lost Recipients. If the Committee cannot locate a person entitled to payment of a Plan benefit after a reasonable search, the Committee may at any time thereafter treat that person's Account as forfeited and amounts credited to that Account will revert to the Company. If the lost person subsequently presents the Committee with a valid claim for the forfeited benefit amount, the Company will pay that person the amount forfeited.

6.07 Amendment. The Board may, at any time, amend the Plan in writing. In addition, the Committee may amend the Plan (other than this Section 6.07) in writing, provided that the amendment will not cause any substantial increase in cost to the Company or to any Affiliate. No amendment may, without the consent of an affected Participant (or, if the Participant is deceased, the Participant's Beneficiary), adversely affect the Participant's or the Beneficiary's rights and obligations under the Plan with respect to amounts already credited to a Participant's Account, unless such amendment is required to comply with any provision of the Code, ERISA or other applicable law.

6.08 Suspension. The Board may, at any time, suspend the Plan. Upon such suspension, Participants' vested Accounts shall be paid in accordance with Article V of the Plan.

6.09 Termination.

(a) General. The Board may terminate the Plan at any time and in the Board's discretion the Accounts of Participants may be distributed within the period beginning twelve months after the date the Plan was terminated and ending twenty-four months after the date the Plan was terminated, or pursuant to Sections 5.02(a) or 5.02(b) of the Plan, if earlier. If the Plan is terminated and Accounts are distributed, the Company shall terminate all account balance non-qualified deferred compensation plans with respect to all participants and shall not adopt a new account balance non-qualified deferred compensation plan for at least five years after the date the Plan was terminated.

(b) Change in Control. The Board, in its discretion, may terminate the Plan thirty days prior to or twelve months following a Change in Control and distribute the Accounts of the Participants within the twelve-month period following the termination of the Plan. If the Plan is terminated and Accounts are distributed, the Company shall terminate all substantially similar non-qualified deferred compensation plans sponsored by the Company and all of the benefits of the terminated plans shall be distributed within twelve months following the termination of the plans.

(c) Dissolution or Bankruptcy. The Board, in its discretion, may terminate the Plan upon a corporate dissolution of the Company that is taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. Section 503(b)(1)(A), provided that the Participants' Accounts are distributed and included in the gross income of the Participants by the latest of (i) the calendar year in which the Plan terminates or (ii) the first calendar year in which payment of the Accounts is administratively practicable.

6.10 Applicable Law. To the extent not governed by Federal law, the Plan is governed by the laws of the State of California without choice of law rules. If any provision of the Plan is held to be invalid or unenforceable, the remaining provisions of the Plan will continue to be fully effective.

6.11 No Funding. The Plan constitutes a promise by the Company and its Affiliates to make payments in the future in accordance with the terms of the Plan. Participants and Beneficiaries have the status of general unsecured creditors of the Company and its Affiliates. Plan benefits will be paid from the general assets of the Company and its Affiliates and nothing in the Plan will be construed to give any Participant or any other person rights to any specific assets of the Company or its Affiliates. In all events, it is the intention of the Company, all Affiliates and all Participants that the Plan be treated as unfunded for tax purposes and for purposes of Title I of ERISA.

6.12 Authority to Establish a Grantor Trust. The Committee is authorized in its sole discretion to establish a grantor trust for the purpose of providing security for the payment of Accounts under the Plan; provided, however, that no Participant or Beneficiary shall be considered to have a beneficial ownership interest (or any other sort of interest) in any specific asset of the Corporation or of its Affiliates as a result of the creation of such trust or the transfer of funds or other property to such trust. The Committee may establish such a trust at any time, including without limitation the time of a Change in Control.

IN WITNESS WHEREOF, The Clorox Company has caused this Plan to be executed by its duly authorized representative on the date indicated below.

/s/ Jacqueline P. Kane  
Jacqueline P. Kane, SR VP — Human Resources

March 14, 2006  
DATE





**THE CLOROX COMPANY  
SUPPLEMENTAL  
EXECUTIVE  
RETIREMENT PLAN  
RESTATED  
EFFECTIVE  
JANUARY 1, 2005**

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## **PURPOSE OF THE PLAN**

The purpose of The Clorox Company Supplemental Executive Retirement Plan (the “Plan”) is to provide retirement benefits for certain executives of The Clorox Company (the “Company”) in addition to the retirement benefits provided generally to all Company salaried employees. These supplemental benefits are intended to provide greater retirement security for those executives and to aid in attracting and retaining future executives.

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**ARTICLE I.  
DEFINITIONS**

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context.

- 1.1 “Accrued Benefit” means the benefit of a Participant calculated under Article II at the time of the Participant’s Separation from Service, or for Participants who have not Separated from Service, at the time of their assumed Separation from Service. In the latter case, the benefit will be based upon the following as of their assumed Separation from Service: (a) Compensation, (b) total years and completed months of service, (c) any vested accrued benefit from a Company sponsored Defined Benefits Plan, (d) the monthly benefit which could be provided based on the actuarially determined annuity value of the Participant’s vested Company contributions account under any Company sponsored Defined Contribution Plan, and (e) any monthly primary insurance benefit to which the Participant may be entitled under the Social Security Act
- 1.2 “Board of Directors” means the board of directors of the Company as from time to time constituted.
- 1.3 “Change in Control” means the effective date of any one of the following events:
- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act ) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, including any acquisition which, by reducing the number of shares outstanding, is the sole cause

for increasing the percentage of shares beneficially owned by any such Person to more than the applicable percentage set forth above, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

- (b) Individuals who, as of the date hereof, constitute the Board of Directors (the “Incumbent Board”) cease for any reason within any period of 24 months to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors; or
- (c) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a “Business Combination”), in each case, unless, following such Business Combination, (i) more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) is represented by Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such

Business Combination (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such Business Combination) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination.

- 1.4 “Code” means the Internal Revenue Service of 1986, as amended.
- 1.5 “Committee” means the Management Development and Compensation Committee of the Board of Directors.
- 1.6 “Company” means The Clorox Company.
- 1.7 “Compensation” means the total of annual base salary plus the Annual Incentive Plan Compensation and/or Executive Incentive Compensation awarded to a Participant and in each case includes amounts the receipt of which the Participant has elected to defer or to take in the form of restricted stock or a stock option. For purposes of the calculation of benefits in Sections 2.3 and 2.5, the total of the Participant’s three highest Annual Incentive Plan Compensation and/or Executive Incentive Compensation (referred to collectively as “Incentive Compensation”) awards will be apportioned evenly over the 36 consecutive months of highest base salary. If a Participant receives a pro-rated Incentive

Compensation award because of Separation from Service other than at the end of the Company's fiscal year, (a) that pro-rated amount shall be divided by the number of months the Participant was employed during the fiscal year and (b) the Participant's third highest Incentive Compensation award shall be divided by 12. If the result of (a) above is greater than the result of (b) above, one of the Participant's three highest Incentive Compensation awards for purposes of this paragraph shall be deemed to be the Participant's final year pro-rated Incentive Compensation award plus the amount determined in (b) above multiplied by the result of subtracting from 12 the number of months Participant was employed by the Company during his or her final year of employment.

- 1.8 "Defined Benefit Plan" means a plan, fund or program under which an employer undertakes systematically for the payment of definitely determinable benefits to its employees over a period of years after retirement. The benefit an employee will receive upon retirement can be determined from a formula defined in the plan instrument.
- 1.9 "Defined Contribution Plan" means a plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses and any forfeitures of accounts of other participants which may be allocated to such participant's account. Beginning July 1, 1994 "Defined Contribution Plan" shall include NonQualified Deferred Compensation Plans which a) restore amounts for a Participant's benefit which cannot be contributed to a defined benefit or contribution plan deemed qualified under the Internal Revenue Code, or b) account for annual distributions, whether deferred or received in cash, made from a Defined Contribution Plan rather than credited to the Participant's account in such plan.
- 1.10 "Disability" means that an individual is eligible for disability benefits under the Federal Social Security Act as determined by the Social Security Administration.
- 1.11 "Effective Date" means July 1, 1981.
- 1.12 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.13 “Executive” means a member of the Clorox Leadership Committee.

1.14 “Identification Date” means each December 31.

1.15 “Key Employee” means a Participant who, on an Identification Date, is:

- (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 officers of the Company shall be determined to be Key Employees as of any Identification Date;
- (b) A five percent owner of the Company; or
- (c) A one percent owner of the Company having annual compensation from the Company of more than \$150,000.

If a Participant is identified as a Key Employee on an Identification Date, then such Participant shall be considered a Key Employee for purposes of the Plan during the period beginning on the first April 1 following the Identification Date and ending on the next March 31.

1.16 “Married Participant” means a Participant who is lawfully married on the date Retirement Benefits become payable pursuant to Article II (Retirement Benefits).

1.17 “Participant” means any employee who becomes a Participant pursuant to Section 2.1 (Participation), or a former employee who has become entitled to a Normal or Early Retirement Benefit pursuant to the Plan.

1.18 “Retirement Benefit” means the retirement income provided to Participants and their joint annuitants in accordance with the applicable provisions of Article II (Retirement Benefits).

1.19 “Separation from Service” means termination of employment with the Company, other than by reason of death. A Participant shall not be deemed to have Separated from Service if the Participant continues to provide services to the Company in a capacity other than as an employee and if the former employee is providing services at an annual



rate that is fifty percent or more of the services rendered, on average, during the immediately preceding three full calendar years of employment with the Company (or if employed by the Company less than three years, such lesser period) and the annual remuneration for such services is fifty percent or more of the annual remuneration earned during the final three full calendar years of employment (of if less, such lesser period); provided, however, that a Separation from Service will be deemed to have occurred if a Participant's service with the Company is reduced to an annual rate that is less than twenty percent of the services rendered, on average, during the immediately preceding three full calendar years of employment with the Company (or if employed by the Company less than three years, such lesser period) or the annual remuneration for such services is less than twenty percent of the annual remuneration earned during the three full calendar years of employment with the Company (or if less, such lesser period).

Words importing males shall be construed to include females wherever appropriate.

## **ARTICLE II. RETIREMENT BENEFITS**

### **2.1 Participation**

The employees of the Company named in Exhibit A are the Participants currently accruing benefits or who have vested deferred benefits and have not begun to receive such benefits. From time to time, the Committee may designate additional employees as Plan Participants. A Participant who is an Executive of the Company and who is removed from office or is not reappointed as an Executive, or who is not an Executive and who voluntarily or involuntarily Separates from Service, will thereupon cease to be a Participant and will have no vested interest in the Plan unless he is entitled to a Normal or Early Retirement Benefit pursuant to this Article II.

### **2.2 Normal Retirement Date**

A Participant who Separates from Service on or after age sixty-five with ten or more years of employment with the Company will receive a Normal Retirement Benefit beginning on the first day of the month following his Separation from Service. Such date will be the Participant's Normal Retirement Date.

### 2.3 Normal Retirement Benefit

The Normal Retirement Benefit payable to a Participant will be equal to 3-2/3% of the monthly average of the Participant's Compensation during the thirty-six (36) consecutive months of employment producing the highest such average, times the Participant's total years and completed months of employment with the Company as of his Separation from Service, to a maximum of 15 years, offset by:

- (a) the monthly benefit payable under a 50% joint and survivor annuity form for a Married Participant or an annuity payable for the life of a single Participant, which would be provided to the Participant on his Normal Retirement Date (i) by Company contributions under any Company sponsored Defined Benefit Plan plus (ii) the monthly benefit which could be provided based on the actuarially determined annuity value of his vested Company contributions account under any Company sponsored Defined Contribution Plan, plus
- (b) the monthly primary insurance benefit to which the Participant may be entitled under the Social Security Act as of his Normal Retirement Date.

For purposes of this Section 2.3, Company contributions shall not include voluntary reductions of compensation under the provisions of a Company sponsored Defined Contribution Plan. Company matching contributions under such a plan shall be considered Company contributions.

### 2.4 Early Retirement Date

A Participant who Separates from Service on or after age fifty-five with ten or more years of employment with the Company will receive an Early Retirement Benefit beginning on the first day of the month following his Separation from Service. The date of the commencement of the Early Retirement Benefit will be the Participant's Early Retirement Date.

## 2.5 Early Retirement Benefit

The Early Retirement Benefit payable to a Participant on his Early Retirement Date will be calculated in the same manner as the Normal Retirement Benefit in Section 2.3 except that:

- (a) Before deducting the offsets provided in Section 2.3(a) and (b), the benefit derived by the calculation in the first paragraph of Section 2.3 shall be reduced to reflect the Participant's retirement before his Normal Retirement Date. This reduction will be one quarter of one percent (0.25%) for each month that the Participant's Early Retirement Date precedes his Normal Retirement Date.
- (b) In calculating the offset described in Section 2.3(a) and (b), the reference to "Normal Retirement Date" shall be changed to "Early Retirement Date." If the Early Retirement Date is prior to the Participant's attainment of age 62, then the monthly primary insurance benefit payable at age 62 shall be multiplied by the appropriate factor from the table below:

<b>Age at Early Retirement Date</b>	<b>Factor</b>
62	1.00
61	.90
60	.81
59	.73
58	.66
57	.60
56	.54
55	.49

If the Participant's Age on the Early Retirement Date is not an integral age, the factors above shall be interpolated to reflect the age in years and months. If the Participant is 62 or older on his/her Early Retirement Date, the offset shall be the actual monthly primary insurance benefit to which the Participant is entitled under the Social Security Act as of that date.

## 2.6 Form of Payment

A Participant's Normal or Early Retirement Benefit will be paid to him monthly beginning on his Normal or Early Retirement Date and ending with the payment due for the month in which his death occurs. If the spouse of a Participant who is receiving a Retirement Benefit survives the Participant, monthly payments equal to 50% of the monthly amount payable to the Participant will continue to such spouse ending with the payment due for the month in which such spouse's death occurs.

## 2.7 Delayed Distribution to Key Employees

Notwithstanding any other provision of this Article II to the contrary, any payment of a Normal or Early Retirement Benefit scheduled to be made on or after January 1, 2005 to a Participant who is identified as a Key Employee on the date of his Separation from Service shall be delayed for a minimum of six months following the Participant's Separation from Service. Any payment that otherwise would have been made pursuant to this Article II during such six-month period shall be made on the first day of the month following the date that is the six-month anniversary of the Participant's Separation from Service. The identification of a Participant as a Key Employee shall be made by the Committee in its sole discretion in accordance with Section 1.15 of the Plan and Sections 416(i) and 409A of the Code and the regulations promulgated thereunder.

## 2.8 Termination other than Early or Normal Retirement

A Participant who voluntarily or involuntarily Separates from Service and who does not meet the requirements for an Early or Normal Retirement Benefit will not be entitled to a benefit under the Plan.

## 2.9 Pre-Retirement Death Benefit

The surviving spouse of a Participant with ten or more years of employment with the Company who dies before he has begun receiving a Normal or Early Retirement Benefit shall be entitled to receive a Pre-Retirement Death Benefit. The Pre-Retirement Death Benefit shall be one-half of a 50% joint and survivor annuity form of the Early or Normal Retirement Benefit the Participant would have received had he elected to begin receiving a Retirement Benefit on the first day of the month following his death. If the

Participant's death occurs before he has attained the age at which he could elect to receive an Early Retirement Benefit, the Pre-Retirement Death Benefit will commence on the first day of the month following the date upon which the Participant would have attained that age had he survived; provided, however, that if the surviving spouse dies before that date, there shall be no Pre-Retirement Death Benefit available to any survivors of the Participant or his spouse.

#### 2.10 Disability

A Participant who becomes Disabled prior to his Normal Retirement Date and who prior to becoming Disabled has ten or more years of employment with the Company shall be eligible for a Disability Benefit under the Plan. During the period the Participant is Disabled and prior to attaining age 65, the Participant shall continue to be credited with years and months of employment with the Company even if the Participant Separates from Service prior to his Normal Retirement Date. Upon attaining age 65, the Disabled Participant shall receive his Disability Benefit which is an amount equal to his Normal Retirement Benefit calculated and paid in accordance with Sections 2.2 and 2.3 as if the Participant Separated from Service on his 65<sup>th</sup> birthday.

#### 2.11 Prohibition on Acceleration.

Notwithstanding any other provision of the Plan to the contrary, no distribution will be made from the Plan that would constitute an impermissible acceleration of payment as defined in Section 409A(a)(3) of the Code and the regulations promulgated thereunder.

### **ARTICLE III. MISCELLANEOUS PROVISIONS**

#### 3.1 Plan Administration

The Committee shall have the power and the duty to take all action and to make all decisions necessary and proper to carry out the Plan. Without limiting the generality of the foregoing, the Committee hereby designates the Employee Benefits Committee of the Company to control and manage the operation and administration of the Plan. The Committee shall have the authority to allocate among themselves or to the Employee

Benefits Committee or to delegate to any other person, any administrative responsibility with respect to the Plan.

3.2 Amendment, Suspension and Plan Termination

- (a) Except by the written consent of 75% of Plan Participants actually or potentially affected thereby and the approval of the Board of Directors, the Plan may not be amended in any way which would reduce the benefits payable hereunder or reduce or eliminate the funding provided for in Article IV until the first regularly scheduled meeting of the Board of Directors held after June 30, 2011.
- (b) The Board of Directors, without the consent of the Plan Participants, may amend the Plan to improve or increase the benefits payable hereunder at any time.
- (c) With the written consent of 75% of Plan Participants actually or potentially affected thereby, or at any time on or after the first regularly scheduled meeting of the Board of Directors held after June 30, 2011, the Board of Directors may suspend the Plan. Upon such suspension, no new benefits will accrue under the Plan and distributions from the Plan shall be made pursuant to Article II of the Plan.
- (d) On or after the first regularly scheduled meeting of the Board of Directors held after June 30, 2011, the Board of Directors may terminate the Plan at any time and in the Board of Directors' discretion the Participants' Accrued Benefits may be distributed within the period beginning twelve months after the date the Plan was terminated and ending twenty-four months after the date the Plan was terminated, or pursuant to Article II of the Plan, if earlier. In addition to the foregoing, the Board of Directors may distribute a Participant's Accrued Benefit in the form of a single lump sum payment if the present value of the Participant's Accrued Benefit is less than \$30,000 adjusted annually beginning July 1, 2004 for changes in the Consumer Price Index. If the Plan is terminated and Accrued Benefits are distributed, the Company shall terminate all non-account balance non-qualified deferred compensation plans with respect to all participants and

shall not adopt a new non-account balance non-qualified deferred compensation plan for at least five years after the date the Plan was terminated.

- (e) On or after the first regularly scheduled meeting of the Board of Directors held after June 30, 2011, the Board of Directors may terminate the Plan upon a corporate dissolution of the Company that is taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. Section 503(b)(1)(A), provided that the Participants' Accrued Benefits are distributed and included in the gross income of the Participants by the latest of (i) the calendar year in which the Plan terminates or (ii) the first calendar year in which payment of the Accrued Benefits is administratively practicable.

### 3.3 Assignment of Benefits

A Participant may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, pledge or encumber any benefits to which he is or may become entitled to under the Plan nor may the same be subject to attachment or garnishment by any creditor of a Participant. Notwithstanding the foregoing, the procedures established by the Company for the determination of the qualified status of domestic relations orders and for making distributions under qualified domestic relations orders, as provided in Section 206(d) of ERISA, shall apply to the Plan, to the extent pertinent. Amounts awarded to an alternate payee under a qualified domestic relations order shall be distributed in the form of a lump sum distribution as soon as administratively feasible following the determination of the qualified status of the domestic relations order; provided, however, that no portion of the Participant's benefit under the Plan may be awarded to an alternate payee until the Participant's benefit is an Accrued Benefit.

### 3.4 Not An Employment Agreement

Nothing in the establishment of the Plan is to be construed as giving any Participant the right to be retained in the employ of the Company.

### 3.5 Change in Control

In the event that the Company shall, pursuant to action by its Board of Directors, at any time propose a Change in Control and provision is not made pursuant to the terms of such

transaction for the continuation of the Plan by the surviving, resulting or acquiring corporation or for the substitution of a comparable plan hereto, the provisions of this Plan shall remain in effect.

### 3.6 Claims and Review Procedure

- (a) Any Participant or his beneficiary who has questions or concerns about his benefits under the Plan is encouraged to communicate with the Committee. If this discussion does not give the Participant or his beneficiary satisfactory results, a formal claim for benefits may be made within one year of the event giving rise to the claim in accordance with the procedures of this Section 3.6.
- (b) A Participant or his beneficiary may make a written request for review of any matter concerning his benefits under this Plan. The claim must be addressed to The Clorox Company Supplemental Executive Retirement Plan, 1221 Broadway, Oakland, California 94612-1888. The Committee shall decide the action to be taken with respect to any such request and may require additional information if necessary to process the request. The Committee shall review the request and shall issue its decision, in writing, no later than 90 days after the date the request is received, unless the circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the request within the initial 90-day period, and the notice shall state the circumstances requiring the extension and the date by which the Committee expects to reach a decision on the request. In no event shall the extension exceed a period of 90 days from the end of the initial period.
- (c) If the Committee denies a request in whole or in part, it shall provide the person making the request with written notice of the denial within the period specified in paragraph (b) above. The notice shall set forth the specific reason for the denial, reference to the specific Plan provisions upon which the denial is based, a description of any additional material or information necessary to perfect the request, an explanation of why such information is required, and an explanation of the Plan's appeal procedures and the time limits applicable to such procedures,



including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

(d) Decision on Appeal.

- (i) A person whose request has been denied in whole or in part (or such person's authorized representative) may file an appeal of the decision in writing with the Committee within 60 days of receipt of the notification of denial. The appeal must be addressed to: The Clorox Company Supplemental Executive Retirement Plan, 1221 Broadway, Oakland, California 94612-1888. The Committee, for good cause shown, may extend the period during which the appeal may be filed for another 60 days. The appellant and/or his or her authorized representative shall be permitted to submit written comments, documents, records and other information relating to the claim for benefits. Upon request and free of charge, the applicant should be provided reasonable access to and copies of, all documents, records or other information relevant to the appellant's claim.
- (ii) The Committee's review shall take into account all comments, documents, records and other information submitted by the appellant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Committee shall not be restricted in its review to those provisions of the Plan cited in the original denial of the claim.
- (iii) The Committee shall issue a written decision within a reasonable period of time but not later than 60 days after receipt of the appeal, unless special circumstances require an extension of time for processing, in which case the written decision shall be issued as soon as possible, but not later than 120 days after receipt of an appeal. If such an extension is required, written notice shall be furnished to the appellant within the initial 60-day period. This notice shall state the circumstances requiring the extension

and the date by which the Committee expects to reach a decision on the appeal.

- (iv) If the decision on the appeal denies the claim in whole or in part written notice shall be furnished to the appellant. Such notice shall state the reason(s) for the denial, including references to specific Plan provisions upon which the denial was based. The notice shall state that the appellant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The notice shall describe any voluntary appeal procedures offered by the Plan and the appellant's right to obtain the information about such procedures. The notice shall also include a statement of the appellant's right to bring an action under Section 502(a) of ERISA.
- (v) The decision of the Committee on the appeal shall be final, conclusive and binding upon all persons and shall be given the maximum possible deference allowed by law.
- (e) No legal or equitable action for benefits under the Plan shall be brought unless and until the claimant has submitted a written claim for benefits in accordance with paragraph (b) above, has been notified that the claim is denied in accordance with paragraph (c) above, has filed a written request for a review of the claim in accordance with paragraph (d) above, and has been notified in writing that the Committee has affirmed the denial of the claim in accordance with paragraph (d) above; provided, however, that an action for benefits may be brought after the Committee has failed to act on the claim within the time prescribed in paragraph (b) and paragraph (d), respectively.

### 3.7 Unfunded Status

The Plan is intended to be a plan that is unfunded and that is maintained by the Company primarily for the purpose of providing deferred compensation for a select group of

management or highly compensated employees within the meaning of ERISA. The Plan also is intended to comply with the requirements of Section 409A of the Code.

#### **ARTICLE IV. FUNDING**

##### 4.1 Establishment of Irrevocable Trust

The Company shall establish an irrevocable trust of which the Company is the owner for federal income tax purposes (within the meaning of Sections 671 through 677 of the Internal Revenue Code of 1986) (the "Trust") and fund the Trust as hereinafter provided in order to provide a source from which to satisfy the Company's obligations to Participants under this Plan.

##### 4.2 Amount of Funding

The Company shall make such contributions to the Trust as the Board of Directors from time to time determines appropriate.

##### 4.3 Actuarial Assumptions and Method

The Plan's actuary shall use the following assumptions and methods when advising the Board of Directors with regard to contributions to the Trust:

(a) Mortality:

1983 Group Annuity Mortality Table for periods after benefits have commenced, or are assumed to have commenced. No mortality will be assumed prior to the assumed retirement age for benefits not yet in payment status.

(b) Return on Investment:

Assets are assumed to earn, the liabilities are discounted at, eight percent (8%) per year.

(c) Assumed Retirement Age:

For Participants whose benefits are not in payment status as of July 1 of each year, the Assumed Retirement Age will be age 60, or their current age if older. For beneficiaries, the Assumed Retirement Age is the beneficiary's age on the

date their deceased spouse would have reached 60, or their current age if their spouse would have already been older than age 60.

(d) Annual Pay Increases:

Eight percent (8%) per year.

(e) Employee Turnover:

None.

(f) Social Security Increases:

Social security benefits are assumed to increase 5% per year.

(g) IRC Limits:

The Code Section 415 and Section 401(a)(17) limits are assumed to increase 5% per year.

(h) Defined Contribution Plan Offset:

Annuity equivalent of projected account balance assuming an annual earnings rate of 8.0%; Profit Sharing Plan contributions of 8.0% of pay; annual 401(k) contributions of \$1000 (no inflation); and assuming no further PAYSOP contributions are made.

(i) Actuarial Cost Method:

The Entry Age Normal Cost Method will be used. The unfunded actuarial liability as of each July 1 will be amortized over ten years.



**AMENDED AND RESTATED CHANGE IN CONTROL  
AGREEMENT**

THIS AMENDED AND RESTATED CHANGE IN CONTROL AGREEMENT (the "Agreement") effective \_\_\_\_\_, is between THE CLOROX COMPANY, a Delaware corporation (the "Company") and \_\_\_\_\_ (the "Executive").

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to amend and restate the Change in Control Agreement with the Executive, effective \_\_\_\_\_, to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change in Control, and to provide the Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change in Control Period (as defined in Section 1(b)) on which a Change in Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change in Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change in Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change in Control Period shall not be so extended.

(c) Reserved.

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(d) The "Separation Period" shall mean the period from the Date of Termination through the earlier of the first day of the month following the Executive's 65th birthday or the date three years after the Date of Termination.

(e) "Annual Bonus" shall mean the annual award the Executive receives in any year under the Company's Annual Incentive Plan ("AIP Plan") and/or the Company's Executive Incentive Compensation Plan ("EIC Plan")

(f) The "Average Annual Bonus" shall mean the average Annual Bonus the Executive received for the three (3) completed fiscal years immediately preceding the Date of Termination, provided that the First Year Bonus Target, shall be used in the average computation for any year in which the Executive was not eligible to participate in the AIP Plan and/or the EIC Plan for the full fiscal year.

(e) "Bonus Target" means the annual bonus that the Executive would have received in a fiscal year under the AIP Plan and/or the EIC Plan, if the target goals had been achieved.

(f) "First Year Bonus Target" means the Executive's Bonus Target as of June 30 for the first fiscal year in which he was eligible to participate in the AIP Plan and/or the EIC Plan.

2. Change in Control . For the purpose of this Agreement, a "Change in Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30%, of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, including any acquisition which by reducing the number of shares outstanding, is the sole cause for increasing the percentage of shares beneficially owned by any such Person to more than the applicable percentage set forth above, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened

solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) is represented by Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Outstanding Company Common Stock and Outstanding Company Voting Securities were converted pursuant to such Business Combination) and such ownership of common stock and voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

### 3. Employment Period.

(a) This Agreement shall become effective on the Effective Date. Before the Effective Date, the terms and conditions of the Executive's employment shall be as set forth in the Employment Agreement between the Executive and the Company effective \_\_\_\_\_, (the "Current Agreement") during the term thereof. From and after the Effective Date, this Agreement shall supersede the Current Agreement and any other agreement between the parties with respect to the subject matter hereof.

(b) The Company agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the earlier of the second anniversary of such date or the first day of the month following the Executive's 65th birthday (the "Employment Period").

### 4. Terms of Employment.



(a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned to the Executive at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location not more than 50 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions on a part-time basis not to exceed five hours per week in the aggregate and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall have the opportunity to earn, for each fiscal year ending during the Employment Period, an Annual Bonus in cash at least equal to the highest Annual Bonus the Executive had the opportunity to earn for any of the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans . During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans . During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription drugs, dental, disability, salary continuance, severance pay, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses . During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits . During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff . During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more

favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

#### 5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, the Chief Executive Officer or a senior officer of the Company which specifically identifies the manner in which the Board, Chief Executive Officer or senior officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive'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 or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause

unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes

to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) By the Executive for Good Reason; or by the Company Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Average Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid and in full satisfaction of the rights of the Executive thereto (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) 3 and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Average Annual Bonus; and

C. an amount equal to the difference between (a) the actuarial equivalent of the aggregate benefits under the Company's qualified pension and profit-sharing plans (the "Retirement Plans") and any excess or supplemental pension and profit-sharing plans in which the Executive participates (collectively, the "Nonqualified Plans") which the Executive would have been entitled to receive if the Executive's employment had continued for the Separation Period, assuming (to the extent relevant) that the Executive's compensation during the Separation Period would have been equal to the Executive's compensation as in effect immediately before the termination or, if higher, on the Effective Date, and that employer contributions to the Executive's accounts in the Retirement Plans and the Nonqualified Plans during the Separation Period would have been equal to the average of such contributions for the three years immediately preceding the Date of Termination or, if higher, the three years immediately preceding the Effective Date,

and (b) the actuarial equivalent of the Executive's actual aggregate benefits (paid or payable), if any, under the Retirement Plans and the Nonqualified Plans as of the Date of Termination (the actuarial assumptions used for purposes of determining actuarial equivalence shall be no less favorable to the Executive than the most favorable of those in effect under the Retirement Plan and the Nonqualified Plans on the Date of Termination and the date of the Change in Control);

(ii) for the Separation Period, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families (in each case with such contributions by the Executive as would have been required had the Executive's employment not been terminated); provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility, and for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed during the Separation Period and to have retired on the last day of such period. The Separation Period shall not be subtracted from the period of months for which the Executive is eligible for benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985.;

(iii) if the Executive was entitled to receive financial planning and/or tax return preparation benefits immediately before the Date of Termination, the Company shall continue to provide the Executive with such financial planning and/or tax return preparation benefits with respect to the calendar year in which the Date of Termination occurs (including without limitation the preparation of income tax returns for that year), on the same terms and conditions as were in effect immediately before the Date of Termination (disregarding for all purposes of this clause (iii) any reduction or elimination of such benefits that was the basis of a termination of employment by the Executive for Good Reason); and

(iv) the Executive shall be entitled to purchase the Company-leased automobile, if any, being used by the Executive prior to termination at the "buyout amount" specified by the vehicle's lessor.

(v) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(vi) any awards granted to the Executive prior to the Change in Control under the Company's 2005 Stock Incentive Plan or any successor plan thereto will become

immediately exercisable in the event that the Executive's termination (other than for Cause or Disability (as defined under the Company's Long-term Disability Plan or Policy, as in effect on the date of termination of the Executive's employment)) occurs within twenty-four (24) months of the Change in Control.

To the extent any benefits described in Section 6(a)(ii) and (iii) cannot be provided pursuant to the appropriate plan or program maintained for employees, the Company shall provide such benefits outside such plan or program at no additional cost (including without limitation tax cost) to the Executive.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

(d) Cause: Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 3(a), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may

have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as specifically provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment.

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments, provided, however, that a Gross-Up Payment shall only be made in the event that application of the gross-up feature would result in the Executive receiving total after-tax Payments of at least one hundred five percent (105%) of the benefits the Executive would be entitled to receive without becoming subject to the tax imposed by Section 4999 of the Code ("Maximum Amount"). In the event that a Gross-Up Payment under this Agreement would result in total after-tax Payments of less than one hundred five percent (105%) of the Maximum Amount, the Executive's Payments shall be capped at the Maximum Amount. If the Payments become subject to the cap described above, the amount due to the Executive under Sections 6(a)(i)A, 6(a)(i)B or 6(a)(i)C (cash Payments) shall be reduced initially; thereafter, the Management Development and Compensation Committee of the Company's Board of Directors shall determine how the Payments subject to the cap shall be paid.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young LLP or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination



by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested

amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

#### 10. Post Termination Obligations.

(a) Proprietary Information Defined. "Proprietary Information" is all information and any idea in whatever form, tangible or intangible, pertaining in any manner to the business of the Company or any Affiliated Company, 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 Company; 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 Company.

(b) General Restrictions on Use of Proprietary Information. The Executive agrees to hold all Proprietary Information in strict confidence and trust for the sole benefit of the Company and not to, directly or indirectly, disclose, use, copy, publish, summarize, or remove from Company's premises any Proprietary Information (or remove from the premises any other property of the Company), except (i) during his employment to the extent necessary to carry out the Executive's responsibilities under this Agreement, and (ii) after termination of his employment as specifically authorized in writing by the Board.

(c) Non-Solicitation and Non-Raiding. To forestall the disclosure or use of Proprietary Information in breach of Section 10(b), and in consideration of this Agreement, 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 (i) divert or attempt to divert from the Company (or any Affiliated Company) any business of any kind in which it is engaged, including, without limitation, the solicitation of its customers as to products which are directly competitive with products sold by the Company at the time of the Executive's termination, or interference with any of its suppliers or customers, or (ii) solicit for employment any person employed by the Company, or by any Affiliated Company, 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 Company.

(d) Contacts with the Press. Following termination, the Executive will continue to abide by the Company's policy that prohibits discussing any aspect of Company business with representatives of the press without first obtaining the permission of the Company's Public Relations Department.

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

(f) In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive pursuant to this Agreement.

#### 11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

#### 12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive :

To the address written below the Executive's signature on the last page of this Agreement.

If to the Company :

The Clorox Company  
1221 Broadway  
Oakland, California 94612

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Executive and by a duly authorized representative of the Company other than Executive. By an instrument in writing similarly executed, either party may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform, provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or in equity.

(f) Together with the Current Agreement, the terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the employment of Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement and the Current Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving either Agreement. The Current Agreement and this Agreement supersede any prior Agreements, written or oral, between the Company and the Executive concerning the terms of his employment.

13. Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning

this Agreement and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

14. Arbitration. Any controversy between the Executive or the Executive's heirs or estate and the Company or any employee of the Company, including but not limited to, those involving the construction or application of any of the terms, provisions or conditions of this Agreement or otherwise arising out of or related to this Agreement, shall be settled by 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. The location of the arbitration shall be San Francisco, California if the Executive's current or most recent location of employment with the Company is or was located in Alameda County, California. If it is or was elsewhere, the arbitration shall be held at the city nearest to the Executive's last location of employment with the Company which has an office of the American Arbitration Association. The arbitrator shall award attorney's fees to the Executive to the extent that the Executive prevails in the arbitration proceeding.

The parties have duly executed this Agreement as of the effective date that appears at the beginning of this Agreement.

THE CLOROX COMPANY  
The Company

By: \_\_\_\_\_  
Gerald E. Johnston  
Chairman of the Board, Chief  
Executive Officer and President

\_\_\_\_\_  
(Executive)

\_\_\_\_\_  
(Address)

\_\_\_\_\_

\_\_\_\_\_



AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT, is entered into on \_\_\_\_\_, 2006, between THE CLOROX COMPANY, a Delaware corporation (the "Company"), and \_\_\_\_\_(the "Executive"), and amends the Employment Agreement effective as of \_\_\_\_\_between the Company and the Executive (the "Employment Agreement").

The Employment Agreement is hereby modified and amended as follows:

- 1. Section 9 of the Employment Agreement is hereby deleted and replaced in its entirety with the following new Section 9:

"9. Entire Agreement. Together with the Amended and Restated Change in Control Agreement effective \_\_\_\_\_, 2006 between the Executive and the Company, the terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the employment of Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement and said Amended and Restated Change in Control Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving either Agreement. The Amended and Restated Change in Control Agreement and this Agreement supersede any prior Agreements, written or oral, between the Company and the Executive concerning the terms of his employment."

Except as expressly modified herein, the Employment Agreement shall remain in full force and effect.

This Amendment No. 1 is executed as of the date first above written.

THE CLOROX COMPANY  
The Company

By: \_\_\_\_\_  
Gerald E. Johnston  
Chairman of the Board, Chief  
Executive Officer and President

\_\_\_\_\_  
(Executive)

\_\_\_\_\_  
(Address)

\_\_\_\_\_

\_\_\_\_\_





THE CLOROX COMPANY  
 2005 STOCK INCENTIVE PLAN  
 PERFORMANCE SHARE AWARD AGREEMENT

**NOTICE OF PERFORMANCE SHARE GRANT**

The Clorox Company (the “Company”) grants to the Grantee named below, in accordance with the terms of The Clorox Company 2005 Stock Incentive Plan (the “Plan”) and this performance share award agreement (the “Agreement”), the following number of Performance Shares on the terms set forth below:

**GRANTEE:** «First\_Name» «Last\_Name»  
**TARGET AWARD:** «SHARES\_GRANTED»  
**PERFORMANCE PERIOD:** [July 1, 200\_\_through June 30, 200\_]   
**DATE OF GRANT:**  
**SERIES NUMBER:** «SERIES\_NUMBER»  
**SETTLEMENT DATE** Within 75 days following the last day of the Performance Period, provided the Grantee has remained in the employment or service of the Company or its Subsidiaries through such date (except for a termination of employment or service due to death, Disability or Retirement, as provided below)

**AGREEMENT**

1. Grant of Performance Shares. The Company hereby grants to the Grantee the Target Award set forth above, payment of which is dependent upon the achievement of certain performance goals more fully described in Section 3 of this Agreement. This Award is subject to the terms, definitions and provisions of the Plan and this Agreement. All terms, provisions, and conditions applicable to the Performance Shares set forth in the Plan and not set forth herein are incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. Nature and Settlement of Award. The Performance Shares awarded pursuant to this Agreement represent the opportunity to receive Shares of the Company, and Dividend Equivalents on such Shares. Except for Dividend Equivalents, which are paid in cash pursuant to Section 4 of this Agreement, Performance Shares shall be settled in Shares. The Company shall deliver to the Participant one Share for each Performance Share earned, less any Shares withheld in accordance with the provisions of Section 7 of this Agreement. Settlement shall occur on a date chosen by the Committee, which date shall be within seventy-five (75) days following the last day of the Performance Period, or any deferred settlement date established pursuant to Section 6 below, whichever is later (the “Settlement Date”), and except as specifically provided in Section 5 of this Agreement, provided the Grantee has remained in the employment or service of the Company or its Subsidiaries through the Settlement Date.
3. Determination of Number of Performance Shares Earned.
  - a. The number of Performance Shares earned, if any, for the period commencing [July 1, 200\_\_and ending June 30, 200\_] (the “Performance Period”) shall be determined in accordance with the following formula:

$$\text{\# of Performance Shares} = \text{Payout Percentage} \times \text{Target Award}$$

The “Payout Percentage” is based on the return on invested capital of the Company (calculated as described in paragraph b. below, the “ROIC”) at the end of the Performance Period, determined in accordance with the following table:

ROIC	Payout Percentage (% of Target Award)
is less than	0%
=	50%
=	75%
=	100%
=	125%
>=	150%

Interim percentages to be interpolated.

Notwithstanding the above, the Committee shall have the discretion to adjust the ROIC levels set forth in the above table, and may condition the determination of the number of Performance Shares earned under this paragraph a. upon the satisfaction of the adjusted ROIC levels, as determined by the Committee in its sole and absolute discretion, including discretion to adjust the number of Performance Shares earned to reflect the occurrence of extraordinary or unusual or non-recurring events or such other special circumstances as the Committee may deem appropriate. All Performance Shares that are not earned for the Performance Period shall be forfeited.

- b. ROIC shall be calculated as net operating profit after taxes divided by average operating capital (based on 5-point average) averaged over the Performance Period, as determined by the Committee.
4. Dividend Equivalent Rights. Dividend Equivalents shall be earned with respect to any Performance Shares issued to the Grantee pursuant to this Award. Dividend Equivalents will be paid to the Grantee on dividend payment dates commencing on or after the Date of Grant until the latest to occur of the following: (i) the settlement of the Performance Shares or (ii) the forfeiture of unearned Performance Shares.
  5. Termination of Continuous Service. Except as otherwise provided below, if the Grantee's employment or service with the Company and its Subsidiaries is terminated for any reason prior to the Settlement Date, all Performance Shares subject to this Agreement shall be immediately forfeited.
    - a. Termination due to Death or Disability. If the Grantee's termination of employment or service is due to death or Disability, all Performance Shares shall immediately vest and will be paid upon completion of the Performance Period based on the level of performance achieved as of the end of such Performance Period.
    - b. Termination due to Retirement. If the Grantee's termination of employment or service is due to Retirement and is more than twelve (12) months from the Date of Award set forth in this Agreement, the Performance Shares shall vest on a pro rata monthly basis, including full credit for partial months elapsed, and will be paid upon completion of the Performance Period based on the level of performance achieved as of the end of such Performance Period; provided, however, that this provision shall not apply in the event the Grantee's employment or service is terminated for Cause. The amount of the vested Award may be computed under the following formula: Target Award times (number of full months elapsed in Performance Period divided by number of full months in Performance Period) times percent performance level achieved as of the end of the Performance Period.
    - c. Definition of "Retirement." For purposes of this Agreement, the term "Retirement" shall mean termination of employment or service as an Employee after (i) twenty (20) or more years of "vesting service" as defined in The Clorox Company Pension Plan ("Vesting Service"), or (ii) attaining age fifty-five with ten (10) or more years of Vesting Service.
  6. Election to Defer Settlement. On or before [September 15, 200\_], Grantee may elect to defer the settlement of the Performance Shares from the last day of the Performance Period until a date at least two years following such date, or until Grantee's later termination of employment or service. If Grantee makes such an election, it will become irrevocable on the date of such election. If Grantee makes such an election, Grantee will continue

to receive Dividend Equivalents on any Performance Shares until the settlement date. If Grantee makes such an election, but a transaction occurs that subjects Grantee's Performance Shares to Section 19 of the Plan prior to the settlement date, Grantee's deferral election will terminate and Grantee's Performance Shares will be settled as of the date of that transaction. The Company may terminate any deferral hereunder if a change in law requires such termination.

7. Taxes. Pursuant to Section 16 of the Plan, the Committee shall have the power and the right to deduct or withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy any applicable tax withholding requirements applicable to this Award. The Committee may condition the delivery of Shares upon the Grantee's satisfaction of such withholding obligations. The Grantee may elect to satisfy all or part of such withholding requirement by tendering previously-owned Shares or by having the Company withhold Shares having a Fair Market Value equal to the minimum statutory withholding rate that could be imposed on the transaction (or such other rate that will not result in a negative accounting impact). Such election shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restriction or limitations that the Committee, in its sole discretion, deems appropriate.
8. Transferability of Performance Shares. Performance Shares shall not be transferable by the Grantee other than by will or by the laws of descent or distribution. For avoidance of doubt, Shares issued to the Grantee in settlement of Performance Shares pursuant to Section 2 of this Agreement shall not be subject to any of the foregoing transferability restrictions.
9. Protection of Trade Secrets and Limitations on Exercise.
  - a. Definitions.
    - i. "Affiliated Company" means any organization controlling, controlled by or under common control with the Company.
    - ii. "Confidential Information" means technical or business information not readily available to the public or generally known in the trade, including inventions, developments, trade secrets and other confidential information, knowledge, data and know-how of the Company or any Affiliated Company, whether or not they originated with the Grantee, or information which the Company or any Affiliated Company received from third parties under an obligation of confidentiality.
    - iii. "Conflicting Product" means any product, process, machine, or service of any person or organization, other than the Company or any Affiliated Company, in existence or under development that (1) resembles or competes with a product, process, machine, or service upon or with which the Grantee shall have worked during the two years prior to the Grantee's termination of employment with the Company or any Affiliated Company or (2) with respect to which during that period of time the Grantee, as a result of his/her job performance and duties, shall have acquired knowledge of Confidential Information, and whose use or marketability could be enhanced by application to it of Confidential Information. For purposes of this section, it shall be conclusively presumed that the Grantee has knowledge of information to which s/he has been directly exposed through actual receipt or review of memorandum or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed.
    - iv. "Conflicting Organization" means any person or organization that is engaged in or about to become engaged in research on or development, production, marketing or selling of a Conflicting Product.
  - b. Right to Retain Shares Contingent on Continuing Non-Conflicting Employment. In partial consideration for the award of these Performance Shares, the Grantee agrees that the Grantee's right to the Shares upon settlement of the Performance Shares is contingent upon the Grantee refraining, during the term of the Performance Period and for a period of one (1) year after the Settlement Date, from rendering services, directly or indirectly, as director, officer, employee, agent, consultant or otherwise, to any Conflicting Organization except a Conflicting Organization whose business is diversified and that, as to that part of its business to which the Grantee renders services, is not a Conflicting Organization, provided that the Company shall receive separate written assurances satisfactory to the Company from the Grantee and the Conflicting Organization that the Grantee shall

not render services during such period with respect to a Conflicting Product. If, prior to the expiration of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee shall render services to any Conflicting Organization other than as expressly permitted herein, the Performance Shares, whether vested or not, will be immediately forfeited and cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. THE GRANTEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE GRANTEE FROM RENDERING SERVICES TO A CONFLICTING ORGANIZATION, BUT PROVIDES FOR THE FORFEITURE OF THE PERFORMANCE SHARES AND A RETURN TO THE COMPANY OF THE SHARES OR THE GROSS TAXABLE PROCEEDS OF THE SHARES IF THE GRANTEE SHOULD CHOOSE TO RENDER SUCH SERVICES DURING THE TERM OF THE PERFORMANCE PERIOD OR WITHIN ONE (1) YEAR THE SETTLEMENT DATE.

- c. No Interference or Solicitation . In partial consideration for the award of these Performance Shares and to forestall the disclosure or use of Confidential Information, the Grantee agrees that for a period of one (1) year after the date of settlement of the Performance Shares, s/he shall not, for himself/herself or any third party, directly or indirectly (i) divert or attempt to divert from the Company (or any Affiliated Company) any business of any kind in which it is engaged, including, without limitation, the solicitation of its customers as to Conflicting Products, or interference with any of its suppliers or customers (collectively, “Interfere”), or (ii) solicit for employment any person employed by the Company, or by any Affiliated Company, 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 Company or any Affiliated Company (collectively, “Solicit”). If, during the term of the Performance Period or at any time within one (1) year after the Settlement Date, the Grantee breaches his/her obligation not to Interfere or Solicit, the Performance Shares, whether vested or not, will be immediately forfeited and cancelled, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares.
- d. Injunctive and Other Available Relief . By acceptance of these Performance Shares, the Grantee acknowledges that, if the Grantee were to breach or threaten to breach his/her obligation hereunder not to Interfere or Solicit, the harm caused to the Company by such breach or threatened breach would be, by its nature, irreparable because, among other things, damages would be significant and the monetary harm that would ensue would not be able to be readily proven, and that the Company would be entitled to injunctive and other appropriate relief to prevent threatened or continued breach and to such other remedies as may be available at law or in equity.

12. Miscellaneous Provisions .

- a. Rights as a Stockholder . Neither the Grantee nor the Grantee’s transferee or representative shall have any rights as a stockholder with respect to any Shares subject to this Award until the Performance Shares have been settled and Share certificates have been issued to the Grantee, transferee or representative, as the case may be.
- b. Choice of Law . This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- c. Modification or Amendment . This Agreement may only be modified or amended by written agreement executed by the parties hereto; provided, however, that the adjustments permitted pursuant to Section 18 of the Plan may be made without such written agreement.
- d. Severability . In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included.
- e. References to Plan . All references to the Plan shall be deemed references to the Plan as may be amended.
- f. Headings . The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Agreement for construction or interpretation.

- g. Interpretation . Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or by the Company forthwith to the Board or the Committee, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Committee shall be final and binding on all persons.
- h. Section 409A Compliance . To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service (“Section 409A”). Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**THE CLOROX COMPANY**

By: \_\_\_\_\_

Its: CEO and President

GRANTEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE PERFORMANCE SHARES PURSUANT TO THIS AGREEMENT IS EARNED ONLY BY CONTINUING EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER) AND BY ACHIEVEMENT OF THE PERFORMANCE CRITERIA. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN SHALL CONFER UPON GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE GRANTEE'S EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

Grantee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Agreement. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. Grantee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_  
Grantee

Residence Address:  
\_\_\_\_\_  
\_\_\_\_\_



THE CLOROX COMPANY  
2005 STOCK INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT

**SUMMARY OF RESTRICTED STOCK GRANT**

The Clorox Company, a Delaware company (the “Company”), grants to the Grantee named below, in accordance with the terms of The Clorox Company 2005 Stock Incentive Plan (the “Plan”) and this restricted stock award agreement (the “Agreement”), the following number of shares of Restricted Stock, on the terms set forth below:

GRANTEE — (refer to Equiserve account for details)  
TOTAL RESTRICTED SHARES AWARDED — (refer to Equiserve account for details)  
DATE OF AWARD — (refer to Equiserve account for details)  
PERIOD OF RESTRICTION Subject to the Plan and the Agreement attached hereto, the Period of Restriction shall lapse, and Shares shall vest and become free of the forfeiture and transfer restrictions contained in the Agreement, on the third (3rd) anniversary of the Date of Award.

**TERMS OF AGREEMENT**

1. Grant of Restricted Stock. The Company hereby grants to the Grantee the total number of shares of Restricted Stock (the “Shares”) set forth above, subject to the terms, definitions and provisions of the Plan and this Agreement. All terms, provisions, and conditions applicable to the Shares set forth in the Plan and not set forth herein are incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
  2. Restrictions and Their Release.
    - a. Restrictions. Except as otherwise provided in the Plan and this Agreement, the Grantee may not sell, assign, pledge, exchange, transfer, hypothecate or encumber any Shares subject to this Award until the Period of Restriction set forth above shall lapse (the “Restrictions”).
    - b. Custody, Dividends and Voting Rights.
      - i. As soon as practicable following the grant of Restricted Stock, the Shares of Restricted Stock shall be registered in the Grantee’s name in certificate or book-entry form. If a certificate is issued, it shall bear an appropriate legend referring to the restrictions and it shall be held by the Company, or its agent, on behalf of the Grantee until the Period of Restriction has lapsed or otherwise been satisfied. If the Shares are registered in book-entry form, the restrictions shall be placed on the book-entry registration. The Grantee may also be required to execute and return to the Company a blank stock power for each Restricted Stock certificated (or instruction letter, with respect to the Shares registered in book-entry form), which will permit transfer to the Company, without further action, of all or any portion of the Restricted Stock that is forfeited in accordance with this Agreement.
      - ii. Except for the transfer restrictions, and subject to such other restrictions, if any, as determined by the Committee, the Grantee shall have all other rights of a holder of Shares, including the right to receive dividends paid (whether in cash or property) with respect to the Restricted Stock and the right to vote (or to execute proxies for voting) such Shares. If all or part of a dividend in respect of the Restricted Stock is paid in Shares or any other security issued by the Company, such Shares or other securities shall
-



be held by the Company subject to the same restrictions as the Restricted Stock in respect of which the dividend was paid.

- c. Release of Restrictions . Upon the lapse of the Period of Restriction, the Shares will be released from the Restrictions. The Company or its designee will notify the Grantee in advance of the release of Restrictions and make arrangements for the form in which the released Shares will be issued to the Grantee.
  - d. Taxes . Pursuant to Section 16 of the Plan, the Committee shall have the power and the right to deduct or withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy any applicable tax withholding requirements applicable to this Award. The Committee may condition the delivery of Shares upon the Grantee's satisfaction of such withholding obligations. The Grantee may elect to satisfy all or part of such withholding requirement by tendering previously-owned Shares or by having the Company withhold Shares having a Fair Market Value equal to the minimum statutory tax withholding rate that could be imposed on the transaction (or such other rate that will not result in a negative accounting impact). Such election shall be irrevocable, made in writing, signed by the Grantee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.
3. Termination of Employment or Service .
    - a. If the Grantee's employment or service with the Company and its Subsidiaries is terminated for any reason, any Shares not released from the Restrictions before such termination of employment or service shall be forfeited. Notwithstanding the above, if the Grantee's termination of employment or service is due to death or Disability, the Shares of Restricted Stock shall become 100% vested and the Restrictions on the Shares shall lapse as of such termination date.
    - b. Definition of "Disability." For purposes of this Agreement, the Grantee's employment shall be deemed to have terminated due to the Grantee's Disability if the Grantee is entitled to long-term disability benefits under the Company's long-term disability plan or policy, as in effect on the date of termination of the Grantee's employment.
  4. Authorization to Return Forfeited Shares . The Grantee authorizes the Company or its designee to return to the Company all Shares which are forfeited pursuant to the provision of this Agreement or the Plan.
  5. Section 83(b) Election . The Grantee acknowledges receipt of information concerning the Grantee's right within thirty days from the date on the letter transmitting this Agreement to the Grantee to make an election, pursuant to Section 83(b) of the Internal Revenue Code, to pay income tax currently rather than when the Shares are released from Restrictions. The Grantee agrees that s/he will notify the Company immediately if such a Section 83(b) election is made.
  6. Change in Control . Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under Applicable Laws or by the rules and regulations of any governing governmental agencies or national securities exchanges, any Shares subject to Restrictions shall become 100% vested and the Restrictions on the Shares shall lapse, unless the Shares are assumed, converted or replaced by the continuing entity; provided, however, that in the event the Participant's employment is terminated without Cause or by the Participant for Good Reason within twenty-four (24) months following consummation of a Change in Control, the Period of Restriction on any replacement awards shall lapse. For purposes of this Agreement, the term "Good Reason" shall have the meaning set forth in any employment agreement or severance agreement or policy applicable to the Grantee.
  7. Protection of Trade Secrets and Limitations on Exercise .
    - a. Definitions .
      - i. "Affiliated Company" means any organization controlling, controlled by or under common control with the Company.

- ii. “ Confidential Information ” means technical or business information not readily available to the public or generally known in the trade, including inventions, developments, trade secrets and other confidential information, knowledge, data and know-how of the Company or any Affiliated Company, whether or not they originated with the Grantee, or information which the Company or any Affiliated Company received from third parties under an obligation of confidentiality.
  - iii. “ Conflicting Product ” means any product, process, machine, or service of any person or organization, other than the Company or any Affiliated Company, in existence or under development that (1) resembles or competes with a product, process, machine, or service upon or with which the Grantee shall have worked during the two years prior to the Grantee’s termination of employment with the Company or any Affiliated Company or (2) with respect to which during that period of time the Grantee, as a result of his/her job performance and duties, shall have acquired knowledge of Confidential Information, and whose use or marketability could be enhanced by application to it of Confidential Information. For purposes of this section, it shall be conclusively presumed that the Grantee has knowledge of information to which s/he has been directly exposed through actual receipt or review of memorandum or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed.
  - iv. “ Conflicting Organization ” means any person or organization that is engaged in or about to become engaged in research on or development, production, marketing or selling of a Conflicting Product.
- b. Right to Retain Shares Contingent on Continuing Non-Conflicting Employment . In partial consideration for the award of these Shares, the Grantee agrees that the Grantee’s right to the Shares is contingent upon the Grantee refraining, during the Period of Restriction and for a period of one (1) year after the date of release of Restrictions, from rendering services, directly or indirectly, as director, officer, employee, agent, consultant or otherwise, to any Conflicting Organization except a Conflicting Organization whose business is diversified and that, as to that part of its business to which the Grantee renders services, is not a Conflicting Organization, provided that the Company shall receive separate written assurances satisfactory to the Company from the Grantee and the Conflicting Organization that the Grantee shall not render services during such period with respect to a Conflicting Product. If, prior to the expiration of the Period of Restriction or at any time within one (1) year after the release of Restrictions, the Grantee shall render services to any Conflicting Organization other than as expressly permitted herein, the Shares, whether vested or not, will be immediately forfeited, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. THE GRANTEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE GRANTEE FROM RENDERING SERVICES TO A CONFLICTING ORGANIZATION, BUT PROVIDES FOR THE FORFEITURE OF THE SHARES AND A RETURN TO THE COMPANY OF THE SHARES OR THE GROSS TAXABLE PROCEEDS OF THE SHARES IF THE GRANTEE SHOULD CHOOSE TO RENDER SUCH SERVICES DURING THE PERIOD OF RESTRICTION OR WITHIN ONE YEAR AFTER RELEASE OF RESTRICTIONS.
- c. No Interference or Solicitation . In partial consideration for the award of these Shares and to forestall the disclosure or use of Confidential Information, the Grantee agrees that during the Period of Restriction and for a period of one (1) year after the date release of Restrictions, s/he shall not, for himself/herself or any third party, directly or indirectly (i) divert or attempt to divert from the Company (or any Affiliated Company) any business of any kind in which it is engaged, including, without limitation, the solicitation of its customers as to Conflicting Products, or interference with any of its suppliers or customers (collectively, “Interfere”), or (ii) solicit for employment any person employed by the Company, or by any Affiliated Company, during the period of such person’s employment and for a period of one (1) year after the termination of such person’s employment with the Company or any Affiliated Company (collectively, “Solicit”). If, during the Period of Restriction or at any time within one (1) year after the date of release of

Restrictions, the Grantee breaches his/her obligation not to Interfere or Solicit, the Shares, whether vested or not, will be immediately forfeited, and the Grantee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares.

- d. Injunctive and Other Available Relief. By acceptance of these Shares, the Grantee acknowledges that, if the Grantee were to breach or threaten to breach his/her obligation hereunder not to Interfere or Solicit, the harm caused to the Company by such breach or threatened breach would be, by its nature, irreparable because, among other things, damages would be significant and the monetary harm that would ensue would not be able to be readily proven, and that the Company would be entitled to injunctive and other appropriate relief to prevent threatened or continued breach and to such other remedies as may be available at law or in equity.

8. Miscellaneous Provisions.

- a. Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- b. Modification or Amendment. This Agreement may only be modified or amended by written agreement executed by the parties hereto; provided, however, that the adjustments permitted pursuant to Section 18 of the Plan may be made without such written agreement.
- c. Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included.
- d. References to Plan. All references to the Plan shall be deemed references to the Plan as may be amended.
- e. Headings. The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Agreement for construction or interpretation.
- f. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or by the Company forthwith to the Board or the Committee, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Committee shall be final and binding on all persons.
- g. Section 409A Compliance. To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ("Section 409A"). Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**THE CLOROX COMPANY**

By:

Title: President and CEO

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE RELEASE OF RESTRICTION ON THE SHARES PURSUANT TO THIS AGREEMENT IS EARNED ONLY BY CONTINUING EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

The Grantee acknowledges that a copy of the Plan, Plan Information and the Company's Annual Report and Proxy Statement for the fiscal year ended June 30, 2005 (the "Prospectus Information") are available for viewing on the Company's Cloroxweb site at <http://CLOROXWEB/hr/stock/>. The Grantee hereby consents to receive the Prospectus Information electronically, or, in the alternative, to contact the HR Service Center at 1-800-709-7095 to request a paper copy of the Prospectus Information. The Grantee represents that s/he is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_  
Grantee

Residence Address:  
\_\_\_\_\_  
\_\_\_\_\_



THE CLOROX COMPANY  
 2005 STOCK INCENTIVE PLAN  
 NONQUALIFIED STOCK OPTION AWARD AGREEMENT

**NOTICE OF STOCK OPTION GRANT**

The Clorox Company, a Delaware company (the “Company”), grants to the Optionee named below an option (the “Option”) to purchase, in accordance with the terms of The Clorox Company 2005 Stock Incentive Plan (the “Plan”) and this nonqualified stock option agreement (the “Agreement”), the number of shares of Common Stock of the Company (the “Shares”) at the exercise price per share (the “Exercise Price”) set forth as follows:

OPTIONEE	— (refer to Equiserve account for details)
OPTIONS GRANTED	— (refer to Equiserve account for details)
GRANT CODE	— (refer to Equiserve account for details)
EXERCISE PER SHARE	— (refer to Equiserve account for details)
DATE OF GRANT	— (refer to Equiserve account for details)
EXPIRATION DATE	Ten years from Date of Grant
VESTING SCHEDULE	25% on each of the first four anniversaries of the Date of Grant

AGREEMENT

1. Grant of Option. The Company hereby grants to the Optionee the Option to purchase the Shares at the Exercise Price, subject to the terms, definitions and provisions of the Plan and this Agreement. All terms, provisions, and conditions applicable to the Option set forth in the Plan and not set forth herein are incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan, the provisions of the Plan will govern. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.
2. Exercise of Option.
  - a. Right to Exercise. This Option shall be exercisable prior to the expiration date set forth above (the “Expiration Date”), in accordance with the vesting schedule set forth above (the “Vesting Schedule”) and with the applicable provisions of the Plan and this Agreement. Except as otherwise specifically provided in this Agreement, in no event may this Option be exercised after the Expiration Date.
  - b. Method of Exercise. This Option shall be exercisable only by delivery of an exercise notice (printable from the Clorox Web at <http://CLOROXWEB/hr/stock/> or available from the Company’s designee) (the “Exercise Notice”) which shall state the election to exercise the Option, the whole number of Shares in respect of which the Option is being exercised and such other provisions as may be required by the Committee. Such Exercise Notice shall be signed by the Optionee and shall be delivered by mail or fax, to the Company’s designee accompanied by payment of the Exercise Price. The Company may require the Optionee to furnish or execute such other documents as the Company shall reasonably deem necessary (i) to evidence such exercise and (ii) to comply with or satisfy the requirements of the Securities Act of 1933, as amended, the Exchange Act, or any Applicable Laws. The Option shall be deemed to be exercised upon receipt by the Company’s designee of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of the Option unless such issuance and such exercise shall comply with all Applicable Laws. Assuming such compliance, for income tax purposes, the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

- c. Taxes. Pursuant to Section 16 of the Plan, the Committee shall have the power and the right to deduct or withhold, or require the Optionee to remit to the Company, an amount sufficient to satisfy any applicable tax withholding requirements applicable to this Option. The Committee may condition the delivery of Shares upon the Optionee's satisfaction of such withholding obligations. The Optionee may elect to satisfy all or part of such withholding requirement by tendering previously-owned Shares or by having the Company withhold Shares having a Fair Market Value equal to the minimum statutory tax withholding rate that could be imposed on the transaction (or such other rate that will not result in a negative accounting impact). Such election shall be irrevocable, made in writing, signed by the Optionee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.
3. Method of Payment. Pursuant to Section 6(f) of the Plan and subject to such limitations as the Committee may impose (including prohibition of one or more of the following payment methods), payment of the Exercise Price may be made in cash or by check, Shares or a combination thereof.
4. Termination of Employment or Service and Expiration of Exercise Period.
- a. Termination of Employment or Service. If the Optionee's employment or service with the Company and its Subsidiaries is terminated, the Optionee may exercise all or part of this Option prior to the expiration dates set forth in paragraph b. herein, but only to the extent that the Option had become vested before the Optionee's employment or service terminated. Notwithstanding the above, if the Optionee's termination of employment or service (i) is due to Retirement and is more than 12 months from the Date of Grant set forth in this Agreement, or (ii) is due to death or Disability, the Option shall become 100% vested and shall remain exercisable until the expiration dates determined pursuant to paragraph b. of this Section.
- When the Optionee's employment or service with the Company and its Subsidiaries terminates (except when due to Retirement, death or Disability), this Option shall expire immediately with respect to the number of Shares for which the Option is not yet vested. If the Optionee dies after termination of employment or service, but before the expiration of the Option, all or part of this Option may be exercised (prior to expiration) by the personal representative of the Optionee or by any person who has acquired this Option directly from the Optionee by will, bequest or inheritance, but only to the extent that the Option was vested and exercisable upon termination of the Optionee's employment or service.
- b. Expiration of Exercise Period. Upon termination of the Optionee's employment or service with the Company and its Subsidiaries, the Option shall expire on the earliest of the following occasions:
- i. The Expiration Date, except as provided in subparagraph iii below;
  - ii. The date three months following the termination of the Optionee's employment or service for any reason other than Cause, death, Disability, or Retirement;
  - iii. The date one year following the termination of the Optionee's employment or service due to death or Disability;
  - iv. The date five (5) years following the termination of the Optionee's employment or service due to Retirement, provided the Optionee's Retirement is more than 12 months from the Date of Grant set forth in this Agreement; or
  - v. The date of termination of the Optionee's employment or service for Cause.
- c. Definition of "Retirement". For purposes of this Agreement, the term "Retirement" shall mean termination of employment or service as an Employee after (i) twenty (20) or more years of "vesting service" as defined in The Clorox Company Pension Plan ("Vesting Service"), or (ii) attaining age fifty-five (55) with ten (10) or more years of Vesting Service.

- d. Definition of “Disability.” For purposes of this Agreement, the Optionee’s employment shall be deemed to have terminated due to the Optionee’s Disability if the Optionee is entitled to long-term disability benefits under the Company’s long-term disability plan or policy, as in effect on the date of termination of the Optionee’s employment.
5. Change in Control. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under Applicable Laws or by the rules and regulations of any governing governmental agencies or national securities exchanges, the Option shall become 100% vested and immediately exercisable, unless such Option is assumed, converted or replaced by the continuing entity; provided, however, that in the event the Participant’s employment is terminated without Cause or by the Participant for Good Reason within twenty-four (24) months following consummation of a Change in Control, any replacement awards will become immediately exercisable. For purposes of this Agreement, the term “Good Reason” shall have the meaning set forth in any employment agreement or severance agreement or policy applicable to the Optionee.
6. Transferability of Option. This Option shall not be transferable by the Optionee other than by will or the laws of descent and distribution, and the Option shall be exercisable during the Optionee’s lifetime only by the Optionee or on his or her behalf by the Optionee’s guardian or legal representative.
7. Protection of Trade Secrets and Limitations on Exercise .
- a. Definitions.
- i. “Affiliated Company” means any organization controlling, controlled by or under common control with the Company.
- ii. “Confidential Information” means technical or business information not readily available to the public or generally known in the trade, including inventions, developments, trade secrets and other confidential information, knowledge, data and know-how of the company or any Affiliated Company, whether or not they originated with the Optionee, or information which the Company or any Affiliated Company received from third parties under an obligation of confidentiality.
- iii. “Conflicting Product” means any product, process, machine, or service of any person or organization, other than the Company or any Affiliated Company, in existence or under development that (1) resembles or competes with a product, process, machine, or service upon or with which the Optionee shall have worked during the two years prior to the Optionee’s termination of employment with the Company or any Affiliated Company or (2) with respect to which during that period of time the Optionee, as a result of his/her job performance and duties, shall have acquired knowledge of Confidential Information, and whose use or marketability could be enhanced by application to it of Confidential Information. For purposes of this section, it shall be conclusively presumed that the Optionee has knowledge of information to which s/he has been directly exposed through actual receipt or review of memorandum or documents containing such information or through actual attendance at meetings at which such information was discussed or disclosed.
- iv. “Conflicting Organization” means any person or organization that is engaged in or about to become engaged in research on or development, production, marketing or selling of a Conflicting Product.
- b. Right to Retain Shares Contingent on Continuing Non-Conflicting Employment . In partial consideration for the award of this Option, the Optionee agrees that the Optionee’s right to exercise this Option is contingent upon the Optionee refraining, prior to the expiration of the Option and for a period of one (1) year after the date of exercise, from rendering services, directly or indirectly, as director, officer, employee, agent, consultant or otherwise, to any Conflicting Organization except a Conflicting Organization whose business is diversified and that, as to that part of its business to which the Optionee renders services, is not a Conflicting Organization, provided that the Company shall receive separate written assurances satisfactory to the Company



from the Optionee and the Conflicting Organization that the Optionee shall not render services during such period with respect to a Conflicting Product. If, prior to the expiration of the Option or at any time within one (1) year after the date of exercise of all or any portion of the Option, the Optionee shall render services to any Conflicting Organization other than as expressly permitted herein, the unexercised portion of the Option, whether vested or not, will be immediately forfeited and cancelled, and the Optionee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares. THE OPTIONEE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE OPTIONEE FROM RENDERING SERVICES TO A CONFLICTING ORGANIZATION, BUT PROVIDES FOR THE FORFEITURE OF THE UNEXERCISED PORTION OF THE OPTION AND A RETURN TO THE COMPANY OF THE GROSS TAXABLE PROCEEDS OF AN EXERCISE OF THE OPTION IF THE OPTIONEE SHOULD CHOOSE TO RENDER SUCH SERVICES PRIOR TO THE EXPIRATION OF THE OPTION OR WITHIN ONE (1) YEAR AFTER EXERCISE.

- c. No Interference or Solicitation . In partial consideration for the award of this Option and to forestall the disclosure or use of Confidential Information, the Optionee agrees that prior to the expiration of the Option and for a period of one (1) year after the date of exercise, s/he shall not, for himself/herself or any third party, directly or indirectly (i) divert or attempt to divert from the Company (or any Affiliated Company) any business of any kind in which it is engaged, including, without limitation, the solicitation of its customers as to Conflicting Products, or interference with any of its suppliers or customers (collectively, “Interfere”), or (ii) solicit for employment any person employed by the Company, or by any Affiliated Company, 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 Company or any Affiliated Company (collectively, “Solicit”). If, during the term of the Option or at any time within one (1) year after the date of exercise of all or any portion of the Option, the Optionee breaches his/her obligation not to Interfere or Solicit, the unexercised portion of the Option, whether vested or not, will be immediately forfeited and cancelled, and the Optionee shall immediately return to the Company the Shares or the pre-tax income derived from any disposition of the Shares.
- d. Injunctive and Other Available Relief . By acceptance of this Option, the Optionee acknowledges that, if the Optionee were to breach or threaten to breach his/her obligation hereunder not to Interfere or Solicit, the harm caused to the Company by such breach or threatened breach would be, by its nature, irreparable because, among other things, damages would be significant and the monetary harm that would ensue would not be able to be readily proven, and that the Company would be entitled to injunctive and other appropriate relief to prevent threatened or continued breach and to such other remedies as may be available at law or in equity.

7. Miscellaneous Provisions .

- a. Rights as a Stockholder . Neither the Optionee nor the Optionee’s transferee or representative shall have any rights as a stockholder with respect to any Shares subject to this Option until the Option has been exercised and Share certificates have been issued to the Optionee, transferee or representative, as the case may be.
- b. Choice of Law . This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- c. Modification or Amendment . This Agreement may only be modified or amended by written agreement executed by the parties hereto; provided, however, that the adjustments permitted pursuant to Section 18 of the Plan may be made without such written agreement.
- d. Severability . In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and

this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included.

- e. References to Plan. All references to the Plan shall be deemed references to the Plan as may be amended.
- f. Headings. The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Option for construction or interpretation.
- g. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Optionee or by the Company forthwith to the Board or the Committee, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Committee shall be final and binding on all persons.
- h. Section 409A Compliance. To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ("Section 409A"). Any provision of the Plan or this Agreement that would cause this Award to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

**THE CLOROX COMPANY**

By:

Title: President and CEO

THE OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). THE OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN, SHALL CONFER UPON THE OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH THE OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE OPTIONEE'S EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

The Optionee acknowledges that a copy of the Plan, Plan Information and the Company's Annual Report and Proxy Statement for the fiscal year ended June 30, 2005 (the "Prospectus Information") are available for viewing on the Company's Cloroxweb site at <http://CLOROXWEB/hr/stock/>. The Optionee hereby consents to receive the Prospectus Information electronically, or, in the alternative, to contact the HR Service Center at 1-800-709-7095 to request a paper copy of the Prospectus Information. The Optionee represents that s/he is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Optionee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement. The Optionee further agrees to notify the Company upon any change in the residence address indicated below.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_  
Optionee

Residence Address:  
\_\_\_\_\_  
\_\_\_\_\_



Schedule of Compensation for Interim Chairman and Interim Chief Executive Officer

<u>Name</u>	<u>Monthly salary</u>
Robert W. Matschullat	\$87,500



**CERTIFICATION**

I, Robert W. Matschullat, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

May 4, 2006

/s/ Robert W. Matschullat

Robert W. Matschullat  
Interim Chairman and Interim Chief Executive Officer





**CERTIFICATION**

I, Daniel J. Heinrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 4, 2006

/s/ Daniel J. Heinrich

Daniel J. Heinrich  
Senior Vice President — Chief Financial Officer



**CERTIFICATION**

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission (the "Report"), we, Robert W. Matschullat, Interim 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

Date: May 4, 2006.

/s/ Robert W. Matschullat

Robert W. Matschullat  
Interim Chairman and Interim Chief Executive Officer

/s/ Daniel J. Heinrich

Daniel J. Heinrich  
Senior Vice President – Chief Financial Officer