

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 2/14/2002 For Period Ending 12/31/2001

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

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

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 December 31, 2001

OR

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

For the transition period from _____ to _____

Commission File Number 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(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)

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

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

As of the December 31, 2001 there were 232,820,576 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

THE CLOROX COMPANY

PART I. Financial Information

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Condensed Consolidated Statements of Earnings

(In millions, except share and per-share amounts)

	Three Months Ended		Six Month
	12/31/01	12/31/00	12/31/01
Net sales	\$901	\$876	\$1,892
Cost of products sold	514	524	1,080
Gross profit	387	352	812
Selling and administrative expenses	135	128	270
Advertising costs	78	78	178
Research and development costs	16	17	32
Restructuring and asset impairment costs	66	4	106
Interest expense	12	23	24
Other (income) expense, net	1	3	(4)
Earnings before income taxes and cumulative effect of change in accounting principle	79	99	206
Income taxes	28	35	76
Earnings before cumulative effect of change in accounting principle	51	64	130
Cumulative effect of change in accounting principle (net of tax benefit of \$1)	-	-	-
Net Earnings	\$51	\$64	\$130
Earnings per Common Share			
Basic			

	Earnings before cumulative effect of change in accounting principle	\$0.22	\$0.27	\$0.56
	Cumulative effect of change in accounting principle	-	-	-
	Basic net earnings per common share	<u>\$0.22</u>	<u>\$0.27</u>	<u>\$0.56</u>
Diluted	Earnings before cumulative effect of change in accounting principle	\$0.22	\$0.27	\$0.55
	Cumulative effect of change in accounting principle	-	-	-
	Diluted net earnings per common share	<u>\$0.22</u>	<u>\$0.27</u>	<u>\$0.55</u>
Weighted Average Common Shares Outstanding (in thousands)				
Basic		232,763	236,069	233,871
Diluted		235,920	239,093	237,063
Dividends per Share		\$0.21	\$0.21	\$0.42

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Condensed Consolidated Balance Sheets

(In millions)

	<u>12/31/01</u>	<u>6/30/01</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$182	\$251
Receivables - Net	401	514
Inventories	357	281
Other current assets	56	57
	<u>996</u>	<u>1,103</u>
Total Current Assets		
Property, Plant and Equipment - Net	992	1,046
Goodwill - Net	1,121	1,230
Trademarks and Other Intangible Assets - Net	342	344
Other Assets	302	272
	<u>3,753</u>	<u>\$3,995</u>
Total		
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities		
Notes and loans payable	\$201	\$117
Current maturities of long-term debt	2	202
Accounts payable	312	314
Accrued liabilities	439	436
Income taxes payable	49	-
	<u>1,003</u>	<u>1,069</u>
Total Current Liabilities		
Long-term Debt	678	685

Other Liabilities	232	194
Deferred Income Taxes	128	147
Stockholders' Equity		
Common stock	250	250
Additional paid-in capital	203	195
Retained earnings	2,176	2,142
Treasury shares, at cost	(614)	(441)
Accumulated other comprehensive net losses	(287)	(235)
Unearned compensation	(16)	(11)
	<u>1,712</u>	<u>1,900</u>
Stockholders' Equity - Net		
	<u>\$3,753</u>	<u>\$3,995</u>

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In millions)

	<u>Six Months Ended</u>	
	<u>12/31/01</u>	<u>12/30/00</u>
Operations:		
Net earnings	\$130	\$162
Adjustments to reconcile to net cash provided by operations:		
Depreciation and amortization	86	110
Deferred income taxes	(7)	(3)
Restructuring and asset impairment	102	4
Other	21	10
Cash effects of changes in (excluding effects of businesses acquired):		
Accounts receivable	111	142
Inventories	(76)	-
Other current assets	(5)	3
Accounts payable and accrued liabilities	(22)	(173)
Income taxes payable	50	30
	<u>390</u>	<u>285</u>
Net cash provided by operations		
Investing Activities:		
Capital expenditures	(70)	(46)
Business acquired net of cash acquired	-	(117)
Other	(4)	(36)
	<u>(74)</u>	<u>(199)</u>
Net cash used for investing		
Financing Activities:		
Notes and loans payable, net	82	(49)

Long-term debt borrowings	3	2
Long-term debt repayments	(206)	(4)
Cash dividends	(99)	(99)
Treasury stock purchased and related premiums	(162)	(7)
Issuance of common stock for employee stock plans, and other	1	15
	<hr/>	<hr/>
Net cash used for financing	(381)	(142)
	<hr/>	<hr/>
Effect of exchange rate changes on cash and cash equivalents	(4)	(2)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(69)	(58)
Cash and cash equivalents:		
Beginning of period	251	254
	<hr/>	<hr/>
End of period	\$182	\$196
	<hr/>	<hr/>

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Interim Financial Statements

The condensed consolidated financial statements for the three- and six-month periods ended December 31, 2001 and 2000 have not been audited but, in the opinion of management, include all adjustments, (i.e., 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". However such financial statements may not necessarily be indicative of annual results.

Advertising costs incurred during interim periods are generally expensed ratably in relation to volume.

Certain reclassifications were made in the prior period's condensed consolidated financial statements to conform to the current period's presentation.

Accounting and Reporting Changes

Statement of Financial Accounting Standards ("SFAS") No. 133

As of July 1, 2000, the Company adopted SFAS No. 133, as amended by SFAS No. 138, which specifies accounting and reporting standards for derivative instruments and hedging activities. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The effect of applying this new standard was a reduction of net earnings of \$2 (net of tax benefit of \$1), which was recognized as a cumulative effect of a change in accounting principle and an increase in other comprehensive income of \$10 (net of tax benefit of \$7). The financial statement impact of adopting this standard subsequent to July 1, 2000, which has not been significant, is included in the Company's condensed consolidated statements of earnings and balance sheets (see Note 3).

Statements of Financial Accounting Standards Nos. 141 and 142

As of July 1, 2001, the Company adopted SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations entered into after June 30, 2001 to be accounted for under the purchase method. SFAS No. 142 sets forth new financial accounting and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the statement of financial position, and no longer amortized but tested for impairment on a periodic basis. Following the adoption of the standard, the Company completed a review of its domestic businesses, and

concluded that the goodwill and intangible assets associated with its domestic businesses were not impaired. The Company is continuing to review its international operations and recognized a pre-tax charge of \$67, for the six months ended December 31, 2001, to write down goodwill associated with its businesses in Brazil and Colombia.

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective July 1, 2001. The financial statement impact was to reduce amortization expense by \$12 and to increase net earnings by \$9 (net of tax expense of \$3), or \$0.04 per diluted share for the three months ended December 31, 2001 and to reduce amortization expense by \$23 and to increase net earnings by \$17 (net of tax expense of \$6) or \$0.07 per diluted share for the six months ended December 31, 2001. A reconciliation of previously reported net earnings and earnings per share to the amounts adjusted for the exclusion of goodwill amortization, net of the related income tax effect, follows:

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

	Three Months Ended		Six Months Ended	
	12/31/01	12/30/00	12/31/01	12/30/00
Reported net earnings	\$51	\$64	\$130	\$162
Add: Goodwill amortization, net of tax	-	9	-	17
Adjusted net earnings	\$51	\$73	\$130	\$179
Basic earnings per common share				
Reported net earnings	\$0.22	\$0.27	\$0.56	\$0.69
Goodwill amortization, net of tax	-	0.04	-	0.07
Adjusted basic net earnings per share	\$0.22	\$0.31	\$0.56	\$0.76
Diluted earnings per common share				
Reported net earnings	\$0.22	\$0.27	\$0.55	\$0.68
Goodwill amortization, net of tax	-	0.04	-	0.07
Adjusted diluted net earnings per share	\$0.22	\$0.31	\$0.55	\$0.75

Financial Instruments

At December 31, 2001 and June 30, 2001, the Company's derivative instruments are recorded in the condensed consolidated financial statement as assets (liabilities) as follows:

	12/31/01	6/30/01
Current Assets - Foreign exchange contracts	\$1	\$ -
Other Assets:		
Commodity purchase contracts	-	5
Interest rate swaps	6	2
Current Liabilities - Commodity purchase contracts	-	(1)
Long-Term Debt:		
Interest rate swaps	4	(7)
Foreign exchange contracts	(3)	5

Other Long-Term Obligations:
Commodity purchase contracts

(16) (1)

The Company utilizes derivative instruments, principally swaps, forward contracts and options to enhance its ability to manage risk, including interest rates, foreign currency fluctuations, commodity price changes and share repurchase obligations, which exist as part of its ongoing business operations. These contracts hedge transactions and balances for periods consistent with the related exposures and do not constitute investments independent of these exposures. The Company is not a party to any leveraged contracts.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Most interest rate swaps, commodity purchase and foreign exchange contracts are designated as fair-value or cash-flow hedges of fixed and variable rate debt obligations, raw material purchase obligations, and either foreign currency denominated debt instruments or purchase obligations. The estimated fair values of these instruments are calculated based on market rates and represent the estimated amounts that the Company would pay or receive to terminate the contracts. The Company also holds a commodity purchase contract at December 31, 2001 and June 30, 2001 with no hedging designation. This contract is accounted for by adjusting the carrying amount of the contract to market, and recognizing any gain or loss in other income or expense.

	12/31/01		6/30/01	
	Notional	Fair Value	Notional	Fair Value
Derivative instruments				
Debt-related contracts	\$400	\$10	\$350	\$ -
Foreign exchange contracts	425	(2)	335	(1)
Commodity contracts	109	(9)	126	5
Commodity option contracts	46	(7)	46	(1)

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

Inventories

Inventories at December 31, 2001 and June 30, 2001 consisted of:

	12/31/01	6/30/01
Finished goods and work in process	\$282	\$219
Raw materials and packaging	99	122
LIFO allowances	(12)	(11)
Allowances for obsolescence	(12)	(49)
Total	\$357	\$281

Inventories are stated at the lower of cost or market (net realizable value), including an allowance for obsolescence. The allowance for obsolescence at December 31, 2001 and June 30, 2001 was \$12 and \$49, respectively. The decline from June 30, 2001 is attributable to the disposal of obsolete inventory.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Other Assets

Other assets at December 31, 2001 and June 30, 2001 consisted of:

	<u>12/31/01</u>	<u>6/30/01</u>
Equity investment in:		
Henkel Iberica, S.A. of Spain	\$61	\$46
Low income housing partnerships	50	43
Other	41	44
Deferred software charges, net	72	61
Investment fund	19	19
Other	59	59
	<u> </u>	<u> </u>
Total	<u>\$302</u>	<u>\$272</u>

Earnings per Common Share (EPS)

Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding each period. Diluted EPS is computed by dividing net earnings by the diluted weighted average number of common shares outstanding during each period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, restricted stock, warrants and other convertible securities. The weighted average number of common shares outstanding (denominator) used to calculate basic EPS is reconciled to those shares used in calculating diluted EPS as follows (in thousands):

	Weighted Average Number of Common Shares Outstanding			
	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/00</u>
Basic	232,763	236,069	233,871	235,796
Stock options	2,113	2,581	1,997	2,561
Share repurchase contracts	913	354	1,061	508
Other	131	89	134	91
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted	<u>235,920</u>	<u>239,093</u>	<u>237,063</u>	<u>238,956</u>

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Comprehensive Income

Comprehensive income for the Company includes net earnings, foreign currency translation adjustments

and net changes in the valuation of cash flow hedges that are excluded from net earnings but included as a separate component of total stockholders' equity. Comprehensive income (loss) for the three and six-month periods ended December 31, 2001 and 2000 is as follows:

	Three Months Ended		Six Months Ended	
	12/31/01	12/31/00	12/31/01	12/31/00
Net Earnings	\$51	\$64	\$130	\$162
Other comprehensive income(loss):				
Foreign currency translation adjustments	(41)	(2)	(42)	(24)
Cumulative effect of change in accounting principle (net of \$7 of tax)	-	-	-	10
Net derivative gain (loss)	(12)	5	(10)	(4)
Total comprehensive income (loss)	(\$2)	\$67	\$78	\$144

Foreign currency translation adjustments of \$41 for the three months ended December 31, 2001 and \$42 for the six months ended December 31, 2001 include the Company's Argentine subsidiary's foreign currency translation adjustment of \$63 (tax affected) recorded on its net assets reflecting a 38% devaluation of the Argentine peso.

The net derivative loss of \$12 for the three months ended December 31, 2001 and \$10 for the six months ended December 31, 2001 reflects a shift from a gain to a loss in the mark to market valuations of the Company's commodity swap contracts.

Goodwill, Trademarks and Other Intangible Assets

Changes in the carrying amount of goodwill for the six months ended December 31, 2001, by operating segment are as follows:

	Household Products			Total
	North America	Latin America/ Other	Specialty Products	
Balance as of June 30, 2001	\$437	\$395	\$398	\$1,230
Asset impairment	-	(52)	-	(52)
Translation adjustments	(2)	(55)	-	(57)
Balance as of December 31, 2001	\$435	\$288	\$398	\$1,121

During fiscal year 2002, the Company has undertaken a review of its international operations. The Company has recognized a pre-tax charge of \$67 for the six months ended December 31, 2001, to write-down goodwill associated with its businesses in Brazil and Colombia. A reassessment of the Company's Brazilian strategy resulting from a terminated acquisition and a weakening economy, resulted in the recognition of an estimated goodwill impairment loss of \$28, of which \$21 was recorded to goodwill and \$7 to deferred translation. Additionally, the Company recognized an estimated impairment loss of \$39 this quarter related to its Colombian business due to weakening market and economic conditions, of which \$31 was recorded

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

to goodwill and \$8 to deferred translation. The fair values were determined using the discounted present value of estimated future cash flows.

The Company continues to review its remaining international operations, including an assessment of its Argentina business. The Company is taking steps to mitigate the impact of the Argentina devaluation and resulting economic crisis. Subject to the success of these steps, the Company will evaluate whether it will need to record an asset impairment charge for its Argentina business.

Trademarks and other intangible assets at December 31, 2001 and June 30, 2001 are as follows:

	12/31/01			6/30/01		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Trademarks and other intangible asset subject to amortization:						
Patents	\$82	\$72	\$10	\$82	\$69	\$13
Technology	26	13	13	26	12	14
Other	73	31	42	72	29	43
Sub-total	181	116	65	180	110	70
Trademarks and other intangible assets not subject to amortization	277	-	277	274	-	274
Total trademarks and other intangible assets	\$458	\$116	\$342	\$454	\$110	\$344

Amortization expense for trademarks and other intangible assets subject to amortization was \$3 and \$6 for the three and six months ended December 31, 2001, respectively. Estimated amortization expense for each of the fiscal years 2002, 2003, 2004, 2005 and 2006 is \$12, \$11, \$8, \$5 and \$4, respectively.

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. Starting in 2002, the *Glad* business unit is reported under the Household Products – North America segment and the European automotive care businesses are reported under the Specialty Products segment due to recent management realignment and organizational changes effective in fiscal year 2002. The operating segments include:

Household Products – North America: Includes cleaning, bleach, water filtration products, and the food storage and disposal categories marketed in the United States and all products marketed in Canada.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements (Unaudited)

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Household Products – Latin America/Other: Includes operations outside the United States and Canada, excluding the European automotive care businesses.

Specialty Products: Includes charcoal, the United States and European automotive care businesses, cat litter, insecticides, food products and professional products.

The table below represents operating segment information. Operating segment information presented below for prior periods has been reclassified to conform to the current period's presentation of segment information.

	Net Sales			
	Three Months Ended		Six Months Ended	
	12/31/01	12/31/00	12/31/01	12/30/00
	12/31/01	12/31/00	12/31/01	12/30/00
Household Products				
North America	\$506	\$493	\$1,070	\$1,061
Latin America/Other	152	151	289	288
Specialty Products	243	232	533	490
Corporate, Interest and Other	-	-	-	
Total Company	\$901	\$876	\$1,892	\$1,839

	Earnings Before Income Taxes and Cumulative Effect of Change in Accounting Principle			
	Three Months Ended		Six Months Ended	
	12/31/01	12/31/00	12/31/01	12/30/00
	12/31/01	12/31/00	12/31/01	12/30/00
Household Products				
North America	\$125	\$109	\$266	\$265
Latin America/Other	(26)	31	(37)	50
Specialty Products	84	68	181	153
Corporate, Interest and Other	(104)	(109)	(204)	(214)
Total Company	\$79	\$99	\$206	\$254

Corporate, interest and other includes certain non-allocated administrative costs, amortization of intangible assets, interest income, interest expense, and other income and expense. Restructuring and asset impairment costs and related inventory write-offs totaling \$63 and \$16 for the three months ended December 31, 2001 and 2000, respectively, and \$102 and \$16 for the six months ended December 31, 2001 and 2000, respectively have been allocated to the segments. These charges for the three months ended December 31, 2001 and 2000 have been allocated to the segments as follows: Household Products – North America \$5 and \$11, respectively; Household Products – Latin America/Other \$52 and \$0, respectively; Specialty Products \$0 and \$5, respectively; and Corporate \$6 and \$0, respectively. These charges for the six months ended December 31, 2001 and 2000 have been allocated to the segments as follows: Household Products – North

America \$14 and \$11, respectively; Household Products – Latin America/Other \$81 and \$0, respectively; Specialty Products \$0 and \$5, respectively; and Corporate \$7 and \$0, respectively.

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

Subsequent Event – Sale of *Maxforce*

In February 2002, the Company announced its sale of *Maxforce* professional insecticides business to Aventis Environmental Science of Lyon, France. The sale will result in an estimated pre-tax gain of \$36 in the third quarter of fiscal year 2002.

PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of

Results of Operations and Financial Condition

Results of Operations

Comparison of the Three and Six Months Ended December 31, 2001

With the Three and Six Months Ended December 31, 2000

Management's discussion and analysis of the results of operations follows and comparisons are with the three- and six- month periods ended December 31, 2000, unless otherwise noted. Current period and year-ago results are reported in accordance with realigned segments effective July 1, 2001 as described in the notes to the condensed consolidated financial statements.

Diluted earnings per share decreased 19% to 22 cents for the three-month period ended December 31, 2001 and decreased 19% to 55 cents for the six-month period ended December 31, 2001 primarily due to restructuring and asset impairment costs and related inventory write-offs of \$63 million (pre-tax), or \$41 million (after-tax), recognized in the quarter ended December 30, 2001 and \$102 million (pre-tax), or \$70 million (after-tax), recognized in the six-month period ended December 31, 2001.

Net sales for the quarter ended December 31, 2001 as compared to the year ago quarter increased 3% to \$901 million due to a volume increase of 2%, a favorable portfolio mix of 1% due to more volume from the *Glad* bags and wrap business and charcoal products and the sale of the fire logs business, which was sold in the quarter ended June 30, 2001, and a 1% increase due to lower coupon expense, partially offset by a 1% decrease due to foreign currency weakness.

The Household Products – North America segment net sales increase of 3% to \$506 million corresponds with a volume growth of 3%. Volume growth is driven by the *Glad* bags and wrap business, which is attributable to the introduction of *GladWare* products in the prior year as well as from price reductions and higher shipments of *Clorox* liquid bleach, increased shipments of *Brita* faucet-mount water filtration system and filters. Volume growth in the segment was impacted by lower shipments from the Laundry and Home Care division for products that have been discontinued, and those that have been impacted by intense competitive activity.

The Household Products – Latin America/Other segment net sales increased 1% to \$152 million and volumes increased 4%. The volume increase was due to the prior year launch of *Poett* and other fragranced cleaners in Latin America, increased shipments in the Asia Pacific division driven by higher insecticide shipments and the introduction of bags and wraps in Korea, partly offset by lower shipments in Argentina due to the current political and economic situation. Offsetting these volume increases was a 5% negative translation effect due to foreign currency weaknesses in several Latin American countries and Australia.

The Specialty Products segment net sales increased 5% to \$243 million while volumes remained flat in comparison with the year ago period. Excluding the impact of the sale of the fire logs business in the prior year, net sales and volumes increased by 9% and 5%, respectively. The difference between net sales and volumes is attributable to the termination of a low-margin distribution program in the food division and favorable brand mix in the litter division. All categories in this segment with the exception of the food division showed higher shipments. Seasonal's increased volumes of 14% reflect the impact on charcoal sales of increased advertising, a narrowing price spread with private label products, and warm weather. Cat litter's increased volumes of 7% were due to higher shipments of *Fresh Step* cat litter brands attributable to product improvements and increased advertising, partly offset by decreased volumes of *Jonny Cat* litter due to losses in distribution. The increase of 7% in auto care's shipments resulted from the prior year introduction of *Armor All* cleaning and protectant wipes partly offset by lower volumes from fuel system products due to warm weather this quarter versus unseasonably cold weather in the prior-year quarter. The decline of 6% in the food division volumes came from lower shipments of bottled *Hidden Valley* dressing due to intense competition resulting in an unfavorable price gap against competitors.

Net sales for the six-month period ended December 31, 2001 as compared to the year ago period increased 3% to \$1,892 million due to a volume increase of 4% and a favorable portfolio mix of 1% partially offset by a 1% decrease due to foreign currency weakness and a 1% increase in trade-promotion spending.

The Household Products – North America segment net sales increased 1% to \$1,070 million and volumes increased 3%. Offsetting the volume growth was a 2% increase in trade-promotion spending that occurred earlier in the year.

PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of

Results of Operations and Financial Condition

Results of Operations

The Household Products – Latin America/Other segment net sales of \$289 million were flat versus the prior year despite an increase in volumes of 5%. Offsetting the volume increase was a 5% negative translation effect due to foreign currency weaknesses on net sales in several Latin American countries, Australia, New Zealand and Korea.

The Specialty Products segment net sales increased 9% to \$533 million and volumes increased 7%. Excluding the impact of the sale of the fire logs business in the prior year, net sales and volumes would have increased by 12% and 10%, respectively. All categories in this segment showed higher shipments. The increase of 17% in auto care's shipments resulted from the prior year introduction of *Armor All* cleaning and protectant wipes. Contributing to the segment's growth were increases of 15% and 9% experienced by both the seasonal and cat litter divisions, respectively. The increase of 1% in the food division volumes came from the introduction of new flavors for marinades and higher shipments of *K C Masterpiece* BBQ sauce offset by lower shipments of bottled *Hidden Valley* dressing due to intensive competition resulting in an unfavorable price gap against competitors.

Cost of products sold as a percentage of sales was 57% for the quarter ended December 31, 2001 as compared with 60% for the quarter ended December 31, 2000, and 57% for the six months ended December 31, 2001 as compared with 58% for the year ago period. The improvement in cost of products sold as a percentage of sales is attributable to cost savings generated from the Company's ongoing manufacturing initiatives, such as the reduction of stock keeping units, and lower inventory write-offs. These improvements are partially offset by unfavorable product mix due to a shift to larger sizes, and higher *Glad* volumes.

Selling and administrative expenses increased 5% to \$135 million for the three months ended December 31, 2001 and increased 8% to \$270 million for the six months ended December 31, 2001 as compared to the year ago periods. These increases are attributable to expenditures for the Company's new enterprise resource planning and customer relationship management data processing system projects that also included the accelerated write-off of deferred costs associated with software to be replaced by the new system, and higher corporate overhead that included increased incentive compensation costs. These increases are partly offset by lower market research and commission expense.

Advertising costs as a percentage of sales remained at 9% for the three- and six-month periods ended December 31, 2001 and December 31, 2000.

Restructuring and asset impairment costs of \$66 million and \$106 million for the three- and six- month periods ended December 31, 2001, respectively, reflect charges resulting from the Company's strategic review of operations which was announced in December 2000. The Company has recognized \$200 million of such costs, which include \$165 million recorded for restructuring and asset impairment and \$35 million relating to inventory write-offs that is included in cost of products sold.

Restructuring and asset impairment costs of \$66 million for the three-month period ended December 31, 2001 included \$39 million for the estimated impairment of goodwill associated with the Company's Colombian business due to weakening market conditions and poor economic conditions. The Company continues to evaluate its Argentina business and other international operations and anticipates completing its review by fiscal year end 2002. The Company is currently taking steps to mitigate the impact of the Argentina devaluation and resulting economic crisis. Subject to the success of these steps, the Company will evaluate whether it will need to record an asset impairment charge for its Argentina business. The remaining \$27 million includes \$14 million for severance expenses related to the elimination of approximately 260 positions from the Company's U.S. divisions and 250 positions from its Latin American division and \$13 million for the write-off of equipment and the closure of one manufacturing facility.

Restructuring and asset impairment costs of \$106 million for the six-month period ended December 31, 2001 include \$67 million for the estimated impairment of goodwill associated with the Company's Brazilian and Colombian businesses due to a reassessment of the Company's strategies due to the cancellation of an acquisition in Brazil and weakening market conditions and the generally poor economic conditions in these countries. The remaining \$39 million includes \$17 million for severance expenses, and \$22 million for the write-off of equipment and the closure of certain of the Company's plants.

PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of

Results of Operations and Financial Condition

Results of Operations

Interest expense decreased from \$23 million to \$12 million for the three months ended December 31, 2001 as compared to the year ago period and decreased from \$49 million to \$24 million for the six months ended December 31, 2001 as compared to the year ago period. The decreases are due to lower commercial paper interest rates and the use of cash flow from operations to reduce borrowings.

Other (income) expense, net decreased \$2 million to \$1 million for the three months ended December 31, 2001 as compared to the year ago period and decreased \$15 million to \$4 million income for the six months ended December 31, 2001 as compared to the year ago period. The changes are primarily due to lower amortization expense versus the year-ago periods resulting from the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" in the quarter ended September 30, 2001. The effect of adopting this new standard was to increase net earnings by \$9 million (net of tax expense of \$3 million) or \$0.04 per diluted share for the three months ended December 31, 2001 and to increase net earnings by \$17 million (net of tax expense of \$6 million), or \$0.07 per diluted share for the six months ended December 31, 2001.

Additionally, in the three months ended December 31, 2001, the Company's Argentina subsidiary recognized a net gain of \$5 million on net assets denominated in non-peso currencies due to the 38% devaluation of the Argentine peso. (See further discussion in the "Financial Condition, Liquidity and Capital Resources" section). Offsetting this favorable impact was a \$4 million mark-to-market adjustment on the Company's resin option contract reflecting current market conditions and a charge for the tentative settlement of a packaging dispute in the Laundry and Home Care division.

The effective tax rate was 35.2% for the quarter ended December 31, 2001 as compared with 35.4% for the quarter ended December 31, 2000. The effective tax rate for the six months ended December 31, 2001 was 36.7% as compared with 35.4% for the six months ended December 31, 2000. The increase in rates is principally due to the tax effect of restructuring and asset impairment costs.

The cumulative effect of change in accounting principle of \$2 million (net of tax benefit of \$1 million) was recognized in the first quarter of the prior year as a transition adjustment due to the implementation of SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities," as amended by SFAS No. 138.

Financial Condition, Liquidity and Capital Resources

The Company's financial position and liquidity remain strong due to the continued strength of operating cash flows during the six-month period ended December 31, 2001. Net cash provided by operations increased 36% to \$390 million for the six-month period as compared to the year-ago period, and is attributable to operations and improved working capital management. Working capital changes from June 30, 2001 included decreases in accounts receivable offset by increases in inventory. The decrease in receivables corresponds with lower sales in the second quarter as compared with the fourth quarter of the prior year, reflects the seasonal nature of the charcoal division and certain international businesses and reflects improved collections. The increase in inventory reflects a seasonal build up in the Specialty Products segment and an increase in the Household Products – North America segment for new product launches.

At December 31, 2001, the Company's Argentine subsidiary recorded a foreign currency translation adjustment of \$63 million (tax affected) on its net assets reflecting a 38% devaluation of the Argentine peso. This non-cash adjustment reduced stockholder's equity. In addition, the Company's Argentine subsidiary recognized a pre-tax gain of \$5 million, included in other income, on net assets denominated in non-peso currencies. The Company is continuing to evaluate its Argentina business and other international operations for impairment of goodwill and other intangible assets in accordance with SFAS No. 142, which was adopted July 1, 2001. The Company is currently taking steps to mitigate the impact of the Argentina devaluation and resulting economic crisis. Subject to the success of these steps, the Company will evaluate whether it will need to record an asset impairment charge for its Argentina business.

In August 2001, the Company's Board of Directors authorized the Company to repurchase up to \$500 million of the Company's common stock over a two- to three-year period, of which \$335 million of purchases remain. Treasury stock purchases were \$162 million for 4 million shares, during the six-month period ended December 31, 2001.

PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of

Results of Operations and Financial Condition

Financial Condition, Liquidity and Capital Resources

At December 31, 2001, the Company had three share repurchase agreements, whereby the Company contracted for future delivery of 2,260,000 shares each on September 15, 2002 and on September 15, 2004, and 1,000,000 shares on November 1, 2003. The Company anticipates that the estimated settlement costs for the delivery of the shares due on September 15, 2002 to be approximately \$103 million.

In February 2002, the Company announced its sale of *Maxforce* professional insecticides business to Aventis Environmental Science of Lyon, France. The sale will result in an estimated pre-tax gain of \$36 million in the third quarter of fiscal year 2002.

During the six-month periods ended December 31, 2001 and 2000, the Company's capital expenditures were \$70 million and \$46 million, respectively. For the six-month period ended December 31, 2001, capital expenditures included purchases of property, plant and equipment and \$26 million for the Company's new enterprise resource planning and customer relationship management data processing systems. The Company is implementing these

systems over the next several years, with total implementation costs estimated to be approximately \$250 million, including \$150 million representing incremental spending over and above previously planned spending on information systems projects. Total inception-to-date expenditures for these systems incurred through December 31, 2001 was \$81 million, of which \$67 million has been capitalized, with \$14 million expensed. Expenditures for the six-month period ended December 31, 2001 totaled \$34 million, of which \$26 million has been capitalized, with \$8 million expensed.

During the six months ended December 31, 2001 and 2000, cash flows from operations exceeded cash requirements to fund acquisitions, capital expenditures, dividends and scheduled debt service. The Company believes that cash flow from operations, supplemented by financing expected to be available from external sources, will provide sufficient liquidity for the foreseeable future. At December 31, 2001, the Company had credit agreements with available committed credit lines totaling \$600 million that expire on dates through April 2002. The Company's 364 day credit agreement of \$250 million that matured in January 2002 has been re-negotiated with an expiration date in July 2002. The Company's \$350 million multi-year credit agreement maturing in April 2002 is currently being re-negotiated. The Company does not anticipate any problems in securing future credit agreements. These agreements are available for general corporate purposes and for the support of additional commercial paper borrowings. There were no borrowings under these agreements at December 31, 2001.

Management believes the Company has access to sufficient capital through internally generated cash flows, existing lines of credit and, should the need arise, from other public and private sources.

Other Disclosures

Recently, increased attention has been focused on the adequacy of companies' disclosures concerning off-balance sheet arrangements. Accordingly, the following supplemental disclosures are being provided.

The Company leases transportation equipment and various manufacturing, warehousing and office facilities. Most leases are classified as operating leases and will expire over the next 15 years. None of the Company's lease arrangements involve sale/leaseback or other leveraged lease features. Future minimum rental payments required under the operating lease agreements have not changed materially from the amounts previously disclosed.

The Company, at December 31, 2001, has a \$19 million investment, as a limited partner, in an investment fund. The Company's objective of investing in the fund is to help manage its emerging markets foreign exchange and economic investment risk. The fund invests in foreign currency denominated instruments and foreign currency and interest rate options and forwards. At December 31, 2001 and June 30, 2001, the investment fund had, at estimated fair value, assets of \$104 million and \$96 million, respectively, and liabilities of \$85 million and \$76 million, respectively. The Company's investment, which is included in other assets, is marked to market through income based on the estimated fair value of its share of the fund. For the three-month and six-month periods ended December 31, 2001 and 2000, mark to market adjustments were insignificant. The Company's risk of loss is limited to the amount of its investment and it has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements with the fund that would require any future cash contributions to the fund and the Company's potential losses are limited to its investment balance.

PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of

Results of Operations and Financial Condition

Cautionary Statement

Except for historical information, matters discussed above and in the financial statements and footnotes, including statements about future growth, profitability, costs, expectations, plans or objectives, are forward-looking statements based on management's estimates, assumptions and projections. These forward-looking statements are 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 "Forward-Looking Statements and Risk Factors" in the Company's Annual Report on Form 10-K for the year ending June 30, 2001, and in the Company's subsequent SEC filings. Those factors include, but are not limited to, general economic and marketplace conditions and events, competitors' actions, the Company's costs, implementation of the Company's new enterprise resource planning and customer relationship management data processing systems, disruption associated with staff reductions, risks inherent in litigation and international operations, the success of new products, the integration of acquisitions and mergers, and environmental, regulatory and intellectual property matters.

PART 11 – OTHER INFORMATION

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

At the Company's 2001 Annual Meeting of Shareholders held on November 28, 2001, the following actions were taken:

The following Directors were elected to hold office until the next annual election of directors:

<u>Name</u>	<u>Votes for</u>	<u>Withheld</u>
Dan Boggan, Jr.	201,762,533	1,664,169
Tully Friedman	201,796,404	1,630,298
Christoph Henkel	197,130,316	6,296,386
William R. Johnson	201,793,976	1,632,726
Robert W. Matschullat	201,787,541	1,639,161
Gary G. Michael	201,717,189	1,709,513
Dean O. Morton	201,763,588	1,663,114
Klaus Morwind	196,896,258	6,530,444
Jan L. Murley	201,657,478	1,769,224
Lary R. Scott	201,843,681	1,583,021
Michael E. Shannon	201,621,920	1,804,782
G. Craig Sullivan	201,717,585	1,709,117
C. Al Wolfe	201,767,683	1,659,019

Pursuant to the terms of the Notice of Annual Meeting and Proxy Statements, proxies received were voted, unless authority was withheld, in favor of the election of the nominees named.

A proposal by the Board of Directors to reapprove The Clorox Company 1996 Stock Incentive Plan, in an amended form, was approved by the shareholders. The shareholders cast 181,333,407 votes in favor of this proposal and 20,624,612 votes against. There were 1,468,683 abstentions.

A proposal by the Board of Directors to reapprove The Clorox Company 1996 Executive Incentive Compensation Plan, in an amended form, was approved. The shareholders cast 194,336,294 votes in favor of this proposal and 7,479,116 votes against. There were 1,611,292 abstentions.

A proposal by the Board of Directors to ratify the appointment of Deloitte & Touche LLP, certified public accountants to conduct the annual audit of the financial statements of the Company and its subsidiaries for the fiscal year ending June 30, 2002 was approved by the shareholders. The shareholders cast 201,852,787 votes in favor of this proposal and 728,786 votes against. There were 845,129 abstentions.

PART 11 – OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- (10) Material contracts
 - (xvii) Agreement between the Company and G. Craig Sullivan, dated effective as of November 1, 2001.
 - (xviii) The Clorox Company 1996 Stock Incentive Plan Non-Qualified Stock Option Award Agreement, Notice of Stock Option Grant, issued to G. Craig Sullivan effective as of November 1, 2001.
 - (xix) The Clorox Company 1996 Stock Incentive Plan Restricted Stock Award Agreement, entered into by the Company and G. Craig Sullivan, dated effective as of November 1, 2001.
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S I G N A T U R E

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: February 14, 2001

BY /s/ Daniel J. Heinrich

Daniel J. Heinrich

Vice-President – Contoller

I N D E X T O E X H I B I T S

Exhibit Number Description of Exhibit

- 10(xvii) Agreement between the Company and G. Craig Sullivan, dated effective as of November 1, 2001.
- 10(xviii) The Clorox Company 1996 Stock Incentive Plan Non-Qualified Stock Option Award Agreement, Notice of Stock Option Grant, issued to G. Craig Sullivan effective as of November 1, 2001.
- 10(xix) The Clorox Company 1996 Stock Incentive Plan Restricted Stock Award Agreement, entered Into by the Company and G. Craig Sullivan, dated effective as of November 1, 2001.

EXHIBIT 10 (XVII)

EMPLOYMENT AGREEMENT

THIS AGREEMENT, effective November 1, 2001, (the "Effective Date") is between THE CLOROX COMPANY, a Delaware corporation (the "Company"), and G. Craig Sullivan (the "Executive").

RECITAL

The Company and the Executive want to enter a written agreement concerning the terms of the Executive's employment with the Company and the terms of the termination of that employment.

TERMS OF AGREEMENT

1. Term of Employment .

The term of this Agreement shall commence on the Effective Date and the term of this Agreement and the term of the Executive's employment by the Company shall end upon the earliest of (a) December 31, 2003 (the "Termination Date") and (b) the date upon which the Executive's employment is terminated in accordance with Section 4.

2. Position, Duties, Responsibilities .

(a) Position . The Company agrees to continue the Executive in its employ, and the Executive agrees to continue employment with the Company subject to the terms and conditions of this Agreement. The Executive shall hold the position of Chairman of the Board of Directors of the Company (the "Board") and Chief Executive Officer ("CEO"), subject to the right of the Board to remove the title and duties of CEO in its sole discretion. The Executive shall devote his best efforts and the equivalent of full time employment to the performance of the services customarily incident to the office of Chairman and CEO and to such other services as may be reasonably requested by the Board. The Company shall retain full direction and control of the means and methods by which the Executive performs the above services and of the place(s) at which such services are to be rendered.

(b) Other Activities . 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 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. 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.

3. Salary; Incentive Compensation; Benefits; Expenses .

a) Salary . In consideration of the services to be rendered hereunder, including, without limitation, services to any company controlling, controlled by or under common control with the Company (an "Affiliated Company"), the Executive shall be paid an annual base salary ("Annual Base Salary") of \$1,000,000, payable at the times and pursuant to the procedures regularly established, and as they may be amended, by the Company during the course of this Agreement. The Annual Base Salary shall be reviewed periodically in accordance with the Company's regular administrative practice for adjusting salaries of Executive Officers (the Chairman of the Board, the President and all Vice Presidents). The Company may reduce the Executive's salary only if the salaries of the other Executive Officers of the Company are at the same time being similarly adjusted and if the percentage reduction in the Executive's salary does not exceed that of the other Executive Officers, or by mutual agreement.

(b) Long Term Compensation Program; Executive Incentive Compensation Plan . Concurrently with the execution of this Agreement, and in partial consideration for the execution of this Agreement, the Executive shall be awarded options with a grant date on the Effective Date to purchase 750,000 shares of the Company's Common Stock, par value \$1.00, and 100,000 Restricted Stock Units ("RSU's") issued under the Company's 1996 Stock Incentive Plan. The terms of the options and RSU's awarded pursuant to this paragraph shall be as set forth in the documents evidencing those awards. For purposes of this Agreement, "LTC Program" encompasses Awards made to the Executive under the Company's 1987 Long-Term Compensation Plan and 1996 Stock Incentive Plan or any subsequent stock-based incentive compensation plan. After the Effective Date the Executive shall not be entitled to future Awards (as that term is defined in the LTC Program plans) under the LTC Program, provided that the Employee Benefits and Management Compensation Committee (the "Committee") of the Board may, in its sole discretion, make one or more such Awards at any time. The Executive shall be entitled to participate in the Company's Management Incentive Plan (the "MIC Plan") and Executive Incentive Compensation Plan (the "EIC Plan"), with a combined target award of 110% of Annual Base Salary and a maximum award of 220% of Annual Base Salary, in accordance with the Company's practice for administering the MIC and EIC Plans, unless the Company suspends or terminates one or both of those Plans.

(c) Benefits . As he becomes eligible therefor, the Company shall provide the Executive with the right to participate in and to receive benefits from all present and future welfare benefit plans, practices, policies and programs

(including without limitation, medical, prescription drugs, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs), all incentive savings and retirement plans, practices and programs, including without limitation the Supplemental Executive Retirement Plan (the "SERP"), and all similar benefits, made available generally to Executive Officers of the Company. The Executive shall be entitled to annual vacation as determined in accordance with Company policy. The amount and extent of benefits to which Executive is entitled shall be governed by each specific benefit plan, as it may be amended from time to time. The Executive shall also be entitled to the death and disability benefits described in Section 4. The Company may suspend or terminate any benefit plan described in this Section 3(c).

Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by the Executive in the performance of his duties hereunder in accordance with the Company's general policies, as they may be amended from time to time during the course of this Agreement.

(e) Post-Termination Benefits. If the Executive's employment by the Company is terminated (i) on the Termination Date, (ii) by the Company without cause pursuant to Section 4(d)(i) hereof, or (iii) with the permission of the Committee, by the Executive's Retirement pursuant to Section 4(d)(iii) hereof, the Executive shall be entitled to receive (A) financial planning services with a value of up to (1) \$20,000 through filing of tax returns for the year during which termination occurs, (2) \$15,000 during the second year after termination and (3) \$10,000 during the third year following termination, (B) for three years after the date of termination, access to the Company plane or, in the company's sole discretion, a comparable aircraft for personal use with a value of \$50,000 per year calculated in the manner most favorable to the Executive consistent with Internal Revenue Service regulations and (C) for five years after termination, the Executive's choice of either (1) an officer-level office with telephone and desk-top computer, access to a fax machine and printer and the services of a shared company secretary in the Company's General Offices or (2) up to \$50,000 annually to be used for the cost of an office and secretarial support at a location other than the Company's General Offices. All benefits provided for in this paragraph 3(e), to the extent that they are taxable as personal income to Executive, shall be grossed up once at the maximum federal and state income tax rates applicable to Executive so that the after-tax value of the benefits to the Executive shall equal the dollar value stated in this paragraph.

4. Termination of Employment.

(a) By Death. The Executive's employment shall terminate automatically upon his death. The Company shall pay to the Executive's beneficiaries or estate, as appropriate, the salary to which he is entitled pursuant to Section 3 (a) through the end of the month in which death occurs. The Company shall also pay the Executive's beneficiaries or estate, as appropriate, a pro rata portion (through the date of death) of the Executive's target MIC/EIC Plan award for the fiscal year of his death. After the payments called for in this Section 4(a) are made, the Company's obligations hereunder shall terminate. This Section shall not affect entitlement of the Executive's estate or beneficiaries to death benefits under any benefit plan of the Company.

(b) By Disability. Should the Executive begin to receive benefits under the Company's Long Term Disability Plan, the Executive's employment may terminate at the Company's option. If the Company so elects, the Company shall pay the salary to which the Executive is entitled pursuant to Section 3(a) through the date of termination, and in lieu of any MIC/EIC Plan award under Section 3(b) for the fiscal year in which termination occurs, the Company shall pay the Executive a pro rata portion (through the termination date) of the Executive's target MIC/EIC Plan award for the fiscal year of the termination. Thereafter the Company's obligations hereunder shall terminate.

(c) By Company For Cause. The Company may terminate the Executive's employment for Cause (as defined below) at any time without notice and without liability. The Company shall pay the Executive the salary to which he is entitled pursuant to Section 3(a) through the end of the day upon which termination occurs, and thereafter the Company's obligations hereunder shall terminate. The Executive shall not be entitled to any MIC/EIC Plan award pursuant to Section 3(b) for the fiscal year in which termination occurs. Termination shall be for Cause if:

(i) the Executive willfully neglects significant duties he is required to perform or willfully violates material Company policy, and, after being warned in writing, continues to neglect such duties or continues to violate the specified Company policy;

(ii) the Executive commits a material act of dishonesty, fraud, misrepresentation or other act of moral turpitude;

(iii) the Executive exhibits gross negligence in the course of employment; or

(iv) the Executive fails to obey a lawful direction of the Board of Directors.

(d) By the Executive or the Company At Will.

(i) Termination by the Company. The Company may, at any time, terminate the Executive's employment without Cause. If the Company does so, the severance payment provisions of Section 6 shall apply and the Company shall have no additional liability. The Executive hereby agrees that the Company may dismiss him under this Section 4(d)(i) without regard (A) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (B) to any statements made to the Executive, whether made orally or contained in any document, pertaining to the Executive's relationship with the Company. Nothing in this Section 4(d)(i) shall prevent the Company from exercising its right under Section 4(c) to terminate the Executive's employment for Cause, and such a termination (regardless of when made) shall not give rise to damages under Section 6.

(ii) Termination by the Executive. Except in the case of Retirement as provided in Section 4(d)(iii), the Executive may, upon giving at least 10 business days' written notice to the Company, terminate his employment, without liability, for any reason. If the Executive terminates his employment pursuant to this Section 4(d)(ii), the Company shall pay the Executive the salary to which he is entitled pursuant to Section 3(a) through the end of the 10 business days notice period, and thereafter the Company's obligations hereunder shall terminate. The Executive shall not be entitled to any MIC/EIC Plan award pursuant to Section 3(b) for the fiscal year in which he terminates.

(iii) The Executive's Retirement. If the Executive is eligible to begin receiving benefits pursuant to the SERP, then upon giving at least three month's written notice to the Company of his election to do so, the Executive may terminate his employment and begin receiving SERP benefits. Such a termination constitutes "Retirement" for purposes of this Agreement. Upon the Executive's Retirement, the Company shall pay the Executive the salary to which he is entitled pursuant to Section 3(a) through the last day of his employment. In addition, the Executive shall be entitled to receive a pro rata portion calculated upon the proportion of the fiscal year during which the Executive was employed of the Executive's MIC/EIC Plan award for the fiscal year of his Retirement. The award will be paid after the close of the fiscal year at the same time that MIC/EIC Plan award payments are made to employed Executives. The award will be a percentage of the Executive's MIC/EIC Plan target award for that fiscal year based upon the application of the overall corporate results factor and the division results factor, if applicable, of the MIC/EIC Plan award calculation matrix and not based upon any personal objectives factor. The target objective percentage which had been assigned to personal objectives will be proportionately added to the remaining corporate and, if applicable, division objectives so that the percentage for the target objective will be 100%.

(e) Termination Obligations.

(i) The Executive hereby acknowledges and agrees that all personal property and equipment furnished to or prepared by the Executive in the course of or incident to his employment, belong to the Company and shall, if physically returnable, be promptly returned to the Company upon termination of his employment, provided that Executive may purchase the home computer and associated equipment supplied by the Company for \$500. "Personal property" includes, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof, and Proprietary Information (as defined below). Following termination, the Executive will not retain any written or other tangible material containing any Proprietary Information.

(ii) Upon termination of his employment, the Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any Affiliated Company, and will execute a letter of resignation if requested.

(iii) The Executive's obligations under Sections 4(e), 5, 7 and 14 shall survive termination of his employment and the expiration of this Agreement.

5. 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 5(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 5 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.

6. Severance Payments; Release.

(a) Severance Payments. The Company and the Executive acknowledge that it would be impractical or extremely difficult to fix the Executive's actual damages in the case of termination at will by the Company pursuant to Section 4(d)(i). Therefore, in the event of such a termination and notwithstanding any other provision of this Agreement, in exchange for and in consideration of Executive's execution and nonrevocation of a General Release ("Release") in a form substantially equivalent to the attached Exhibit, the Executive shall be entitled to severance payments made up of the following components:

(i) Salary Component.

Continuation of salary, at a monthly rate equal to the highest monthly base salary rate in effect during the twelve month period preceding the termination of employment for a period equal to the longer of (x) two years or (y) what would be the remaining term of this Agreement as determined in Section 1(a) had the termination not occurred, or until the Executive's death if that occurs first (the "Severance Payment Period"). Such payments will be made on the Company's regular semimonthly payroll dates.

(ii) MIC/ EIC Plan Components.

(A) Promptly after termination, the Executive will be paid a lump sum amount equal to 100% of his target MIC/EIC Award for the fiscal year preceding the fiscal year in which the termination occurs, prorated to the date of termination.

(B) In addition, for the Severance Payment Period, together with and in addition to each payment described in (i) above, the Company shall pay the Executive semimonthly an amount equal to one twenty-fourth of 100% of the Executive's target MIC/EIC Award for the fiscal year preceding the fiscal year in which the termination occurs.

(iii) Medical/Dental Plans Component .

(A) Continuation for the Severance Payment Period on the same basis as an employee of the Company of the right to participate in any Medical and/or Dental Benefit Plans as and if offered by the Company to its salaried employees. The Executive shall not participate in any other Company sponsored welfare benefit plans after the termination of employment.

(B) Continuation of the right to participate in Medical and/or Dental Plans as and if offered to former employees whose employment terminated at or after age 55 with ten or more years of service on the same terms and conditions as for such former employees including premium contributions from the Executive as in effect from time to time. Such right to participate shall apply from the time such coverage would otherwise terminate pursuant to (iii)(A) and shall continue until the Executive attains age 65; thereafter the Executive may participate in the Company's Retiree Health Plan as and if it may exist from time to time in the future, if he would be eligible to participate pursuant to the terms of that Plan.

(iv) SERP Component .

Benefit credits and service accruals under the SERP will continue during the Severance Payment Period. During this period, benefit credits shall be based on the compensation required to be paid under (i) and (ii)(A) and (B), above.

(v) LTC Program Component .

(A) For purposes of the LTC Programs the Executive's termination of employment will be deemed to be a Termination of Employment Due to Retirement occurring at the end of the Severance Payment Period if the Executive irrevocably elects prior to the beginning of the Severance Payment Period to begin retirement benefits under the Company's Pension Plan and the SERP at the conclusion of the Severance Payment Period. If he does not so elect, all LTC Program awards which remain at the date of termination will be treated pursuant to subsection (B) below.

(B) If the Executive does not make the election described in Section 6(a)(v)(A), then for purposes of all LTC Program awards, he will be deemed to have terminated employment on the day prior to the beginning of the Severance Payment Period. Whether any LTC Program award is forfeited in such a case will be determined by the terms of the award and the plan pursuant to which it was awarded.

(vi) Automobile Component .

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.

The parties acknowledge that the amounts and benefits provided in (i) through (vi) above constitute a reasonable estimate of and compensation for any damages the Executive may suffer as the result of his termination of employment under this Agreement.

If the Executive does not execute, or having executed, effectively revokes the Release, the Company will not be obligated to provide any benefits or payments of any kind to the Executive.

(b) Lack of Participation in Qualified Plans . Upon termination of employment the Executive shall cease to participate in any qualified benefit plan maintained by the Company such as the Pension Plan, the Value Sharing Plan including the Tax Reduction Investment Plan, and the Executive shall also cease to participate in any welfare benefit

plan maintained by the Company, except as otherwise provided in (a)(iii) above or under the terms of such plan. No employee or employer contributions will be made to any qualified benefit plan based on any bonus paid after the termination of the Executive's employment.

7. 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.

8. Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or mailed, postage prepaid, by certified or registered mail, return receipt requested, and addressed to the Company at:

The Clorox Company

1221 Broadway

Oakland, CA 94612

Attn: General Counsel

or to the Executive at the address written below the Executive's signature on the last page of this document.

Notice of change of address shall be effective only when done in accordance with this Section.

9. Entire Agreement. Together with the Change of Control Agreement effective April 12, 1996, as subsequently amended, 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 Change of 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 Change of Control Agreement and this Agreement supersede any prior Agreements, written or oral, between the Company and the Executive concerning the terms of his employment, and specifically, but not by way of limitation, supersede and rescind the Employment Agreement between the parties dated April 12, 1996, as subsequently amended.

10. Amendments; Waivers. 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.

11. Severability; Enforcement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

12. Governing Law. 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.

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, his 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 at the Company's Technical Center or General Offices. 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 may in the arbitrator's discretion award attorney's fees to the Executive.

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

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: _____

Dean Morton, Chairman

Employee Benefits and

Management Compensation Committee

(Executive)

(Address)

EXHIBIT 10(XVIII)

THE CLOROX COMPANY

1996 STOCK INCENTIVE PLAN

NON-QUALIFIED 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 and subject to the terms of The Clorox Company 1996 Stock Incentive Plan (the "Plan") and this 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:	G. Craig Sullivan
TOTAL NUMBER OF SHARES GRANTED:	750,000
SERIES NUMBER:	
EXERCISE PRICE PER SHARE:	\$35.70
DATE OF GRANT:	November 1, 2001
EXPIRATION DATE:	November 1, 2011
VESTING COMMENCEMENT DATE:	November 1, 2001
VESTING SCHEDULE:	33-1/3% on November 1, 2002
	33-1/3% on November 1, 2003
	33-1/3% on November 1, 2004

AGREEMENT

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. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement.

Exercise of Option.

Right to Exercise. This Option shall be exercisable prior to the expiration date set forth in the Notice of Stock Option Grant above (the "Expiration Date") in accordance with the vesting schedule set forth in the Notice of Stock Option Grant above (the "Vesting Schedule") and with the applicable provisions of the Plan and this Agreement. Notwithstanding any other provision of this Agreement, in no event may this Option be exercised after the Expiration Date

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) 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 representations and agreements as to the holder's investment intent with respect to such Shares and such other provisions as may be required by the Administrator. Such Exercise Notice shall be signed by the Optionee and shall be delivered by mail or by fax to the Company's designee accompanied by payment of the Exercise Price. 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.

Taxes. No Shares will be issued to the Optionee or other person pursuant to the exercise of the Option until the Optionee or other person has made arrangements acceptable to the Company or its designee for the satisfaction of foreign, federal, state, and local income and employment tax withholding obligations.

Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee; provided, however, that such exercise method does not then violate an Applicable Law:

Check.

Surrender of shares of Common Stock of the Company (including withholding of Shares otherwise deliverable upon exercise of this Option) which have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised (but only to the extent that such exercise of the Option would not result in an accounting compensation charge with respect to the Shares used to pay the exercise price).

Delivery of a properly executed Exercise Notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company or its designee of the sale or loan proceeds required to pay the Exercise Price.

Termination. If the Optionee's Continuous Service terminates ("Termination"), any portion of this Option not exercisable on the date of Termination (the "Termination Date") shall be forfeited and cancelled, provided that, (i) if Termination is by the Company without cause pursuant to Section 4(d)(i) of Optionee's Employment Agreement dated November 1, 2001, the entire Option shall become exercisable on the Termination Date, (ii) if Termination occurs on or after December 31, 2003, any unexercisable portion of this Option shall become exercisable on the Termination Date and (iii) if Termination is by virtue of Optionee's Retirement prior to December 31, 2003, the Employee Benefits and Management Compensation Committee of the Board of Directors of the Company (the "Committee") shall have the right, exercisable in its sole discretion, to make exercisable on the Termination Date any unexercisable portion of the Option if Optionee's Retirement is with the permission of the Committee. To the extent the Optionee is entitled to exercise this Option on the Termination Date in accordance with the Vesting Schedule or the preceding sentence, the Optionee may exercise this Option during the applicable Termination Exercise Period described below. The Option shall be subject to the provisions of Section 10 of the Plan relating to the exercisability or termination of the Option in the event of a Corporate Transaction, Change in Control or Subsidiary Disposition.

Termination Exercise Period. For purposes of this Agreement, the "Termination Exercise Period" shall be as follows:

If Termination occurs for reasons other than death or disability, the Termination Exercise Period shall be the period ending on the fifth anniversary of the Termination date (and in no event later than the Expiration Date).

b. **Disability**. If Termination occurs as a result of his disability, the Optionee may, but only within twelve months from the Termination date (and in no event later than the Expiration Date), exercise the Option to the extent otherwise entitled to exercise it on the Termination date. To the extent that the Optionee was not entitled to exercise the Option on the Termination date, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

c. **Death**. In the event of the Optionee's death, the Option may be exercised at any time within twelve months following the date of death (and in no event later than the Expiration Date), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee could exercise the Option at the date of death.

Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of the Optionee only by the Optionee.

Protection of Trade Secrets and Limitations on Exercise.

Definitions.

"Affiliated Company" means any organization controlling, controlled by or under common control with the Company.

"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.

"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.

“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.

Right to Retain Option Proceeds 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, for a period of eighteen (18) months 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, on the date of exercise or at any time within eighteen (18) months 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 Optionee shall immediately return to the Company the pre-tax income resulting from such exercise. 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 return to the Company of the gross taxable proceeds of an exercise of the Option if THE Optionee should choose to render such services within eighteen months after exercise.

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 for a period of two years after termination of his/her employment, 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”).

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.

Entire Agreement Governing Law. The Plan is incorporated herein by reference. The Plan and this Agreement constitute the entire agreement of the parties with respect to this stock option award and may not be modified adversely to the Optionee’s interest except by means of a writing signed by the Company and the Optionee. This Agreement is governed by California law.

Headings. The captions used in this Option are inserted for convenience and shall not be deemed a part of this Option for construction or interpretation.

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 Administrator that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Administrator shall be final and binding on all persons.

THE CLOROX COMPANY

By: _____

Dean O. Morton

Title: Chairman, Employee Benefits and Management Compensation Committee

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 and the Company’s Annual Report and Proxy Statement for the fiscal year ended June 30, 2001 (the “Prospectus Information”) are available for viewing on the Company’s Cloroxweb site at <http://CLOROXWEB/hr/stock/>. The Optionee hereby consents to receive 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 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

Administrator 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: _____

G. Craig Sullivan, Optionee

Residence Address:

EXHIBIT 10(XIX)

THE CLOROX COMPANY

1996 STOCK INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

SUMMARY OF RESTRICTED STOCK AWARD

The Clorox Company, a Delaware company (the "Company"), grants to the Grantee named below, in accordance with the terms of The Clorox Company 1996 Stock Incentive Plan (the "Plan") and this Agreement, the following number of shares of Restricted Stock on the terms set forth below:

GRANTEE:G. Craig Sullivan

TOTAL RESTRICTED SHARES AWARDED:100,000

DATE OF AWARD:November 1, 2001

series number:RS 2001-63

VESTING COMMENCEMENT DATE:November 1, 2001

VESTING SCHEDULE:100% on December 31, 2003

TERMS OF AGREEMENT

Grant of Restricted Stock. The Company hereby grants to the Grantee the total number of shares of Restricted Stock (the "Shares") set forth in the Summary section above, subject to the terms, definitions and provisions of the Plan and this Agreement. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Agreement.

Restrictions and Their Release.

Restrictions. The Grantee may not sell, assign, transfer, hypothecate or encumber any Shares until they have vested according to the Vesting Schedule set forth in the Summary section above (the "Restrictions"). Shares will be issued in the Grantee's name and held by the Company or the Company's stock transfer agent until the Restrictions as to such Shares are released.

Grantee's Rights Regarding the Shares. The Grantee will receive any dividends on the Shares as additional earned income in the Grantee's first regular paycheck following each dividend payment date. The Grantee will be entitled to vote the Shares at meetings of the Company's stockholders.

Release of Restrictions. The Shares will be released from Restrictions in accordance with the Vesting Schedule set forth in the Summary section above and the terms of the Plan and this Agreement. The Company will notify the Grantee in advance of the release of Restrictions and make arrangements for the satisfaction of taxes and the form in which the released Shares will be issued to the Grantee. In addition, the Shares are subject to Section 10 of the Plan relating to the release of restrictions on transfer and forfeiture provisions in the event of a Corporate Transaction, Change in Control or Subsidiary Disposition.

Taxes. No Shares will be released to the Grantee or any other person until the Grantee or such other person has made arrangements acceptable to the Administrator for the satisfaction of applicable foreign, federal, state, and local income and employment tax withholding obligations.

Termination. If the Grantee's Continuous Status as an Employee terminates ("Termination"), any Shares not vested on the date of Termination

(the "Termination Date") shall be forfeited, provided that, (i) if Termination is by the Company without cause pursuant to Section 4(d)(i) of Grantee's Employment Agreement dated November 1, 2001, the Shares shall vest on the Termination Date and (ii) the Employee Benefits and Management Compensation Committee of the Board of Directors of the Company (the "Committee") shall have the right, exercisable in its sole discretion, to vest the Shares on the Termination Date if Termination is by virtue of Grantee's Retirement with the permission of the Committee.

Authorization to the Company or the Company's Stock Transfer Agent. The Grantee authorizes the Company or the Company's stock transfer agent to return to the Company all Shares which are forfeited pursuant to the provisions of this Agreement or the Plan.

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 he will notify the Company immediately if such a Section 83(b) election is made.

Protection of Trade Secrets and Limitations on Exercise.

Definitions.

"Affiliated Company" means any organization controlling, controlled by or under common control with the Company.

"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.

"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.

"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.

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, for a period of one 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, at any time within one year after the release of Restrictions, the Grantee shall render services to any Conflicting Organization other than as expressly permitted herein, 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 return to the Company of the shares or the gross taxable proceeds of the shares if the Grantee should choose to render such services within one year after release of restrictions.

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 for a period of one year after termination of his/her employment, 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").

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.

Entire Agreement - Governing Law. The Plan is incorporated herein by reference. The Plan and this Agreement constitute the entire

Agreement of the parties with respect to this Restricted Stock Award and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. This Agreement is governed by California law.

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.

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 Administrator that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such dispute by the Board or the Administrator shall be final and binding on all persons.

THE CLOROX COMPANY

Dated: _____

By: _____

Dean O. Morton

Title: Chairman, Employee Benefits and Management

Compensation Committee

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, 2001 (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 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 Administrator 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: _____

G. Craig Sullivan, Grantee

Residence Address:

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