CLOROX CO /DE/

FORM 10-Q
(Quarterly Report)

Filed 2/3/2006 For Period Ending 12/31/2005

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

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, 2005

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 ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of December 31, 2005 there were 150,109,814 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 (Unaudited)
Item 1. Financial Statements
The Clorox Company
Condensed Consolidated Statements of Earnings
(Dollars in millions, except per-share amounts)

	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Net sales	$ 1,064	$ 1,000	$ 2,168	$ 2,048
Cost of products sold	628	569	1,266	1,160
Gross profit	436	431	902	888
Selling and administrative expenses	161	134	305	264
Advertising costs	99	92	212	197
Research and development costs	25	21	48	42
Restructuring and asset impairment costs	—	2	1	32
Interest expense	32	17	62	25
Other income:				
Equity earnings and gain on exchange of Henkel Iberica, S.A.	—	(22)	—	(25)
Other, net	(1)	(7)	—	(8)
Earnings from continuing operations before income taxes	120	194	274	361
Income taxes on continuing operations	37	60	83	118
Reversal of deferred taxes from equity investment in Henkel Iberica, S.A.	—	(2)	—	(2)
Earnings from continuing operations	83	136	191	245
Discontinued operations:				
Gain on exchange	—	550	—	550
Earnings from exchanged businesses	—	11	1	33
Reversal of deferred taxes from exchanged businesses	—	6	—	6
Income tax expense on discontinued operations	—	(4)	—	(12)
Earnings from discontinued operations	—	563	1	577
Net earnings	$ 83	$ 699	$ 192	$ 822
Earnings per common share:				
Basic				
Continuing operations	$ 0.56	$ 0.73	$ 1.27	$ 1.22
Discontinued operations	—	3.00	0.01	2.89
Basic net earnings per common share	$ 0.56	$ 3.73	$ 1.28	$ 4.11
Diluted				
Continuing operations	$ 0.55	$ 0.72	$ 1.25	$ 1.21
Discontinued operations	—	2.96	0.01	2.85
Diluted net earnings per common share	$ 0.55	$ 3.68	$ 1.26	$ 4.06
Weighted average common shares outstanding (in thousands)				
Basic	150,080	187,310	150,457	200,107
Diluted	152,264	189,806	152,780	202,555
Dividends declared per common share	$ 0.29	$ 0.28	$ 0.57	$ 0.55

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheets
(Dollars in millions)

	12/31/2005	6/30/2005
Assets		
Current assets		
Cash and cash equivalents	$ 273	$ 293
Receivables, net	377	411
Inventories	359	323
Other current assets	58	63
Total current assets	1,067	1,090
Property, plant and equipment, net	993	999
Goodwill, net	747	743
Trademarks and other intangible assets, net	595	599
Other assets, net	165	186
Total assets	$ 3,567	$ 3,617
Liabilities and Stockholders' Deficit		
Current liabilities		
Notes and loans payable	$ 521	$ 359
Current maturities of long-term debt	3	2
Accounts payable	274	347
Accrued liabilities	450	614
Income taxes payable	24	26
Total current liabilities	1,272	1,348
Long-term debt	2,119	2,122
Other liabilities	631	618
Deferred income taxes	73	82
Total liabilities	4,095	4,170
Stockholders' deficit		
Common stock	250	250
Additional paid-in capital	342	328
Retained earnings	3,781	3,684
Treasury shares, at cost: 99,717,120 and 98,143,620 shares at December 31, 2005, and June 30, 2005, respectively	(4,570)	(4,463)
Accumulated other comprehensive net losses	(331)	(336)
Unearned compensation	—	(16)
Stockholders' deficit	(528)	(553)
Total liabilities and stockholders' deficit	$ 3,567	$ 3,617

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows
(Dollars in millions)

	Six Months Ended	
	12/31/2005	12/31/2004
Operating Activities:		
Earnings from continuing operations	$ 191	$ 245
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	92	91
Share-based compensation	23	2
Restructurings and asset impairment activities	—	32
Gain on exchange of Henkel Iberica, S.A.	—	(20)
Other	27	15
Changes in:		
Receivables, net	34	94
Inventories	(38)	(39)
Other current assets	1	8
Accounts payable and accrued liabilities	(126)	(65)
Income taxes payable	24	7
Income tax settlement payment	(151)	—
Net cash provided by continuing operations	77	370
Net cash provided by discontinued operations	6	35
Net cash provided by operations	83	405
Investing Activities:		
Capital expenditures	(83)	(58)
Proceeds from life insurance investment	41	—
Other	(5)	(8)
Net cash used for investing activities	(47)	(66)
Financing Activities:		
Notes and loans payable, net	162	254
Long-term debt borrowings	—	1,635
Long-term debt repayments	(29)	—
Cash dividends paid	(85)	(115)
Treasury stock purchased from non-affiliates	(135)	—
Treasury stock acquired from related party, Henkel KGaA	—	(2,110)
Issuance of common stock for employee stock plans and other	31	63
Net cash used for financing activities	(56)	(273)
Effect of exchange rate changes on cash and cash equivalents	—	2
Net (decrease) increase in cash and cash equivalents	(20)	68
Cash and cash equivalents:		
Beginning of period	293	232
End of period	$ 273	$ 300

See Notes to Condensed Consolidated Financial Statements

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

1) Interim Financial Statements

Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2005 and 2004, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position and cash flows of The Clorox Company and its subsidiaries (the “Company”) for the periods presented. Certain reclassifications were made in the prior periods’ condensed consolidated financial statements to conform to the current periods’ presentation. The results for the interim period ended December 31, 2005, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2006, or for any future period.

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

Use of Estimates

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

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

New Accounting Standards

Share-Based Payment

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

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

1) Interim Financial Statements (Continued)

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

	Three Months Ended 12/31/2005	Six Months Ended 12/31/2005
Earning from continuing operations before income taxes	$ 8	$ 15
Earnings from continuing operations	5	11
Net earnings	5	11
Basic and diluted net earnings per common share	0.04	0.07

Prior to the adoption of SFAS No. 123-R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statement of Cash Flows. SFAS No. 123-R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised ("excess tax benefits") be classified as financing cash flows, except for cash flows relating to production employees which are classified as operating cash flows. For the three and six months ended December 31, 2005, $9 and $16 of excess tax benefits were generated from option exercises, respectively, and were recognized as financing cash flows.

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

	Three Months Ended 12/31/2004	Six Months Ended 12/31/2004
Net earnings:		
As reported	$ 699	$ 822
Fair value-based expense, net of tax	(4)	(9)
Pro forma	$ 695	$ 813
Net earnings per common share:		
Basic		
As reported	$ 3.73	$ 4.11
Pro forma	3.71	4.06
Diluted		
As reported	$ 3.68	$ 4.06
Pro forma	3.66	4.01

Other New Accounting Standards

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

2) Discontinued Operations

On November 22, 2004, the Company completed the exchange of its ownership interest in a subsidiary for Henkel KGaA's ("Henkel") interest in Clorox common stock ("Share Exchange Agreement"). Prior to the completion of the exchange, Henkel owned approximately 61.4 million shares, or about 29%, of the Company's outstanding common stock. The subsidiary transferred to Henkel contained Clorox's insecticides and Soft Scrub ® cleanser businesses, its 20% interest in the Henkel Iberica, S.A. joint venture ("Henkel Iberica"), and $2,095 in cash. As a result of the exchange, the Company recognized a total gain of $570 and reversed a total of $8 of deferred income taxes during the three months ended December 31, 2004. Of the total gain recognized, $550 related to the exchanged operating businesses and was included in discontinued operations and $20 related to Henkel Iberica and was included in continuing operations. The net sales from the discontinued businesses were $6 and $21 for the three months ended December 31, 2005 and 2004, respectively, and were $16 and $63 for the six months ended December 31, 2005 and 2004, respectively.

3) Financial Instruments

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

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

	12/31/2005	6/30/2005
Current assets:		
Commodity purchase contracts	$ 10	$ 7
Other assets:		
Commodity purchase contracts	—	5
Current liabilities:		
Commodity purchase contracts	(1)	—

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

	12/31/2005		6/30/2005	
	Notional	Fair Value	Notional	Fair Value
Foreign exchange	$ 39	—	$ 32	—
Commodity purchase	84	$ 9	73	$ 12

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

4) Inventories

Inventories consisted of the following at:

	12/31/2005	6/30/2005
Finished goods	$ 290	$ 256
Raw materials and packaging	85	76
Work in process	5	6
LIFO allowances	(15)	(9)
Allowance for obsolescence	(6)	(6)
Total	$ 359	$ 323

5) Other Assets

Other assets consisted of the following at:

	12/31/2005	6/30/2005
Investment in insurance contracts	$ 38	$ 49
Equity investments	47	47
Investment in low-income housing partnerships	30	33
Nonqualified retirement plan assets	17	18
Other	33	39
Total	$ 165	$ 186

In the three months ended December 31, 2005, the Company received $41 of proceeds from the termination of one of its investments in insurance contracts. The Company used a portion of these proceeds to repay related long-term debt borrowings of $29, which were previously netted against the investment.

6) Other Liabilities

Other liabilities consisted of the following at:

	12/31/2005	6/30/2005
Venture agreement net terminal obligation	$ 259	$ 258
Qualified and nonqualified pension plans	129	119
Retirement healthcare benefits	85	88
Deferred compensation plans	68	61
Environmental remediation	30	33
Long term disability post employment obligation	22	21
Other	38	38
Total	$ 631	$ 618

7) Net Earnings per Common Share

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

	Weighted Average Number of Common Shares Outstanding			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Basic	150,080	187,310	150,457	200,107
Stock options, restricted stock and performance units	2,184	2,496	2,323	2,448
Diluted	152,264	189,806	152,780	202,555

The following table sets forth the securities not included in the diluted EPS because to do so would be antidilutive (in thousands):

	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Stock options	2,634	370	2,625	386
Performance units	135	—	135	—

8) Comprehensive Income

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

	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Net earnings	$ 83	$ 699	$ 192	$ 822
Other comprehensive gains (losses), net of tax:				
Foreign currency translation adjustments	(4)	46	7	69
Net derivative adjustments	(7)	—	(2)	(2)
Total comprehensive income	$ 72	$ 745	$ 197	$ 889

9) Share-Based Compensation Plans

In November 2005, the Company's stockholders approved the 2005 Stock Incentive Plan ("2005 Plan"). The 2005 Plan permits the Company to grant various non-qualified share-based compensation awards, including stock options, restricted stock, performance units, deferred stock units, restricted stock units, stock appreciation rights, performance shares and other stock-based awards. As a result of the adoption of the 2005 Plan, no further awards will be granted from any prior plans, including the 1996 Stock Incentive Plan and the 1993 Directors' Stock Option Plan. The Company is authorized to grant up to 7 million common shares under the 2005 Plan, of which 5 million common shares were previously available under prior plans.

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

	Three Months Ended 12/31/2005	Six Months Ended 12/31/2005
Selling and administrative expenses	$ 13	$ 21
Cost of products sold	2	3
Capitalized in inventory	—	1
Total compensation cost	$ 15	$ 25
Related income tax benefit	$ 5	$ 9

Cash received from options exercised under all share-based payment arrangements for the three and six months ended December 31, 2005, was $8 and $22, respectively. The Company issues shares for stock options, restricted stock awards and performance units from treasury stock. The Company repurchases shares under its program to offset the estimated impact of share dilution related to share-based awards. In the three and six months ended December 31, 2005, the Company repurchased 0.8 million and 2.4 million shares at a total cost of $45 and $135, respectively.

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

Stock Options

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

	Three Months Ended 12/31/2005	Six Months Ended 12/31/2005
Expected life	5 years	5 years
Expected volatility	27.2%	27.2% to 28.0%
Risk-free interest rate	4.3%	3.7% to 4.3%
Dividend yield	2.1%	2.0% to 2.1%

The expected life of the options is based on observed historical exercise patterns. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Previously, under SFAS No. 123, the Company did not utilize separate employee groupings in the determination of option values. The Company now estimates option forfeitures based on historical data for each employee grouping, and adjusts the rate to expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed. The expected volatility is based on implied volatility from publicly-traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly-traded options and other factors. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

9) Share-Based Compensation Plans (Continued)

The status of the Company's stock option plans at December 31, 2005, is summarized below:

	Number of Shares (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 30, 2005	11,691	$ 42		
Granted	1,120	57		
Exercised	(774)	29		
Forfeited or expired	(323)	50		
Outstanding at December 31, 2005	11,714	44	6 years	$150
Vested and exercisable at December 31, 2005	7,857	39	5 years	138

The weighted-average fair value of each option granted during the three and six months ended December 31, 2005, estimated as of the grant date using the Black-Scholes option pricing model, was $13.78 and $14.74, respectively, per share. The total intrinsic value of options exercised during the three and six months ended December 31, 2005, was $3 and $21, respectively.

Stock awards outstanding as of December 31, 2005, have been granted at prices which are either equal to or above the market value of the stock on the date of grant, generally vest over four years and expire no later than ten years after the grant date. Effective July 1, 2005, the Company generally recognizes compensation expense ratably over the vesting period. As of December 31, 2005, there was $44 of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 3 years.

Restricted Stock Awards

In accordance with SFAS No. 123-R, the fair value of restricted stock awards is estimated on the date of grant based on the market price of the stock and is amortized to compensation expense on a straight-line basis over the related vesting periods, which are generally three to four years. The total number of restricted stock awards expected to vest is adjusted by estimated forfeiture rates. As of December 31, 2005, there was $17 of total unrecognized compensation cost related to nonvested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of 3 years. The unrecognized compensation cost related to nonvested restricted stock awards was recorded as unearned compensation in stockholders' deficit at June 30, 2005. As part of the adoption of SFAS No. 123-R, the unrecognized compensation cost related to nonvested restricted stock awards granted prior to July 1, 2005, was included as a component of additional paid-in capital. The total fair value of the shares vested in the three and six months ended December 31, 2005, was zero and $4, respectively.

9) Share-Based Compensation Plans (Continued)

A summary of the status of the Company's restricted stock awards as of December 31, 2005, is presented below:

	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock awards at June 30, 2005	589	$ 45
Granted	83	57
Vested	(106)	41
Forfeited	(19)	48
Restricted stock awards at December 31, 2005	547	48

Performance Units

The Company's performance unit grants subsequent to the adoption of SFAS 123-R provide for the issuance of common stock to certain managerial staff and senior management if the Company achieves specified performance targets. The performance unit grants generally vest after three years. The fair value of each grant issued after the adoption of SFAS No. 123-R is estimated on the date of grant based on the market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates, and the initial assumption that performance goals will be achieved. Compensation expense is adjusted quarterly based on the anticipated number of units to vest. If such goals are not met, any previously recognized compensation expense is reversed.

During the three and six months ended December 31, 2005, the Company granted 9,850 and 504,350 performance units, which had a weighted-average fair value on the grant date of $57 per share. The number of shares issued will be dependent upon vesting and the achievement of specified performance targets. As of December 31, 2005, there was $21 of total unrecognized compensation cost related to nonvested performance unit grants issued after the adoption of SFAS 123-R, which is expected to be recognized over a remaining weighted-average performance period of 3 years. The Company recognized $2 and $4 of compensation expense in the three and six months ended December 31, 2005, respectively, related to the performance units granted during the period.

Prior to the adoption of SFAS No. 123-R, the Company issued performance unit grants to certain senior management that provided for the issuance of common stock if the Company's total shareholder return met specified performance goals based on comparisons with the performance of a selected peer group of companies. In fiscal year 2005, the Company began accruing a liability for the performance unit grants, which vested in September 2005. In addition, in fiscal year 2006, the Company began accruing for performance unit grants, which are scheduled to vest in September 2006, after it was determined that it was likely that certain performance goals would be met. In the three and six months ended December 31, 2005, the Company recognized $5 and $6, respectively, of additional expense related to grants made prior to the adoption of SFAS 123-R.

9) Share-Based Compensation Plans (Continued)

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

As of December 31, 2005, there were 315,595 performance units outstanding that were granted prior to the adoption of SFAS No. 123-R, of which 60,855 have vested. The total fair value of shares vested in the three and six months ended December 31, 2005, was zero and $6 respectively.

Deferred Stock Units

In accordance with SFAS No. 123-R, the annual grants of deferred stock units to non-employee directors under the Company's director compensation program are recognized at their fair value on the date of grant. Any additional deferred stock units granted to non-employee directors upon their election to receive all or a portion of their annual retainers and fees in the form of deferred stock units are recognized at their fair value on the date of grant. Each deferred stock unit represents the right to receive one share of Clorox common stock at the end of a pre-established deferral period, and does not carry any voting or dividend rights, except the right to receive additional deferred stock units in lieu of dividends. The deferred stock units vest immediately upon grant and are payable following the termination of a director's service. During the three and six months ended December 31, 2005, the Company granted 1,483 and 4,043 deferred stock units, respectively, which had a weighted-average fair value on the grant date of $56.04 per share. As of December 31, 2005, 83,676 units were outstanding.

10) Retirement Income and Healthcare Benefit Plans

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

	Retirement Income Plans			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Components of net periodic benefit cost (income):				
Service cost	$ 3	$ 3	$ 6	$ 6
Interest cost	7	7	13	13
Expected return on plan assets	(7)	(7)	(13)	(14)
Amortization of unrecognized items	4	2	8	4
Total net periodic benefit cost	$ 7	$ 5	$ 14	$ 9

	Retirement Healthcare Plans			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Components of net periodic benefit cost:				
Service cost	$ 1	$ 1	$ 1	$ 1
Interest cost	1	1	2	2
Total net periodic benefit cost	$ 2	$ 2	$ 3	$ 3

11) Guarantees

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks, pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. The Company's aggregate maximum exposure from these agreements is $299, which consists primarily of an indemnity of up to $250 made to Henkel in connection with the Share Exchange Agreement, subject to a minimum threshold of $12 before any payments would be made. The general representations and warranties made by the Company in connection with the Henkel Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal, and other matters and have terms with varying expiration dates.

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

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

The Company has not recorded any liabilities on any of the aforementioned guarantees at December 31, 2005.

12) Environmental Contingencies

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of $30 and $33 at December 31, 2005, and June 30, 2005, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both December 31, 2005 and June 30, 2005. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality ("MDEQ"), which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

13) Settlement of Income Tax Contingency

The Company paid $151 (excluding $13 of federal tax benefits) in the first quarter of fiscal year 2006 related to an agreement with the IRS resolving certain tax issues originally arising in the period from 1997 through 2000.

14) Segment Results

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

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

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

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

Corporate includes certain non-allocated administrative costs, amortization of trademarks and other intangible assets, interest income, interest expense, foreign exchange gains and losses, and other non-operating income and expense.

14) Segment Results (Continued)

The table below represents operating segment information.

	Net Sales			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Household Group – North America	$ 495	$ 465	$ 1,019	$ 973
Specialty Group	405	381	830	793
International	164	154	319	282
Total Company	$ 1,064	$ 1,000	$ 2,168	$ 2,048

	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Household Group – North America	$ 161	$ 154	$ 331	$ 321
Specialty Group	82	92	171	165
International	33	39	68	67
Corporate [1]	(156)	(91)	(296)	(192)
Total Company	$ 120	$ 194	$ 274	$ 361

(1) The increased costs in the Corporate operating segment in the three and six months ended December 31, 2005, were substantially due to the $20 gain recognized on the exchange of the equity investment in Henkel Iberica in the prior year period, higher interest costs associated with the offering of $1,650 in senior notes in connection with the Henkel share exchange, additional share-based compensation costs upon the adoption of SFAS No. 123-R, a cumulative accrual for performance unit grants scheduled to vest in September 2006, and an increase in accruals for incentive compensation.

Net sales to the Company’s largest customer, Wal-Mart Stores, Inc. and its affiliates, were 27% of consolidated net sales for each of the three and six months ended December 31, 2005 and 26% and 27% of consolidated net sales for each of the three and six months ended December 31, 2004, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except share and per-share amounts)

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

Comparison of the Three and Six Months Ended December 31, 2005,
With the Three and Six Months Ended December 31, 2004

Management's discussion and analysis of the results of operations, unless otherwise noted, compares the three and six months ended December 31, 2005 (the "current periods"), to the three and six months ended December 31, 2004 (the "prior periods"), using percentages calculated on a rounded basis, except as noted. In certain instances, parenthetical references are made to relevant sections of the Notes to Condensed Consolidated Financial Statements to direct the reader to additional information.

	Three Months Ended					Six Months Ended				
	12/31/2005			12/31/2004		12/31/2005			12/31/2004	
	Total	% Change	% of Net Sales	Total	% of Net Sales	Total	% Change	% of Net Sales	Total	% of Net Sales
Diluted net earnings per common share from continuing operations	$ 0.55	-24%		$ 0.72		$ 1.25	3%		$ 1.21	
Net sales	1,064	6%	100.0%	1,000	100.0%	2,168	6%	100.0%	2,048	100.0%
Gross profit	436	1%	41.0%	431	43.1%	902	2%	41.6%	888	43.4%
Selling and administrative expenses	161	20%	15.1%	134	13.4%	305	16%	14.1%	264	12.9%
Advertising costs	99	8%	9.3%	92	9.2%	212	8%	9.8%	197	9.6%

Diluted net earnings per common share from continuing operations decreased by $0.17 for the current quarter, as compared to the year-ago quarter. This decrease was driven by the factors discussed below, including a gain of $20 recognized on the exchange of the equity investment in Henkel Iberica, S.A ("Henkel Ibercia"), and the reversal of $2 of deferred taxes during the three months ended December 31, 2004. In addition, the Company recorded higher current quarter interest expense, driven primarily by interest costs associated with the offering of $1,650 in senior notes in connection with the Henkel KGaA ("Henkel") share exchange, additional share-based compensation costs upon the adoption of SFAS No. 123-R and higher incentive compensation expense. Partially offsetting these factors was the lower level of shares outstanding during the three months ended December 31, 2005, resulting from the Company's exchange of 61.4 million shares, previously held by Henkel.

Diluted net earnings per common share from continuing operations increased by $0.04 for the six months ended December 31, 2005, as compared to the six months ended December 31, 2004 (the "year-ago period"). This increase was driven by the lower level of shares outstanding during the six months ended December 31, 2005. Partially offsetting this impact was higher interest expense and additional share-based compensation expense in the six months ended December 31, 2005, as well as a gain and associated equity earnings and tax effects of $27 recognized on the exchange of Henkel Ibercia during the six months ended December 31, 2004.

Net sales increased by 6% for both current periods, compared to the prior periods. Volume increased by 2% in the current periods primarily due to increased shipments of home care products, institutional products and Latin America products. Sales growth outpaced volume growth primarily due to the benefit of price increases and higher trade-promotion spending in the prior periods to support new Glad ® and home care products, including Glad ForceFlex ® trash bags and the Clorox ® Toiletwand ™ disposable toilet-cleaning system. Favorable current periods' foreign exchange rates and product mix also contributed to the sales-volume variance.

Gross profit decreased by 210 basis points and 180 basis points for the current periods, respectively, compared to the prior periods. This decline was primarily due to higher raw-material costs, along with transitions costs related to the Kingsford ® charcoal improvement. These factors were partially offset by benefits of cost savings and price increases.

The Company is taking a number of measures to respond to the economic conditions that have led to increased raw material and energy costs. In the third quarter of fiscal year 2006, the Company will implement price increases ranging from 5% to 15% on approximately 40% of its portfolio, including Glad trash bags, Match Light ® charcoal, and Brita ® pitchers and filters. The Company is also reducing travel and consulting fees, eliminating or delaying certain projects and continuing to pursue additional cost savings.

Selling and administrative expenses increased by 20% and 16% in the current periods, respectively, compared to the prior periods, primarily due to the recognition of additional share-based compensation costs upon the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123-R, which resulted in incremental selling and administrative costs of $6 and $12 in the current periods, respectively. In addition, in the current periods the Company recognized higher incentive compensation accruals and a cumulative accrual for performance unit grants scheduled to vest in September 2006.

Advertising costs increased by 8% for both current periods, while only slightly increasing as a percentage of sales. The increase was driven by higher spending for new product launches and increased marketing investment.

Restructuring and asset impairment costs of $32 in the year-ago period related primarily to the supply chain restructuring initiative for the Glad plastic bags, wraps and containers business, which is part of the Specialty Group operating segment. This restructuring plan involved closing a manufacturing facility and assigning remaining production between Glad's North American plants and third-party suppliers during fiscal year 2005.

Interest expense increased by $15 and $37 in the current periods driven primarily by interest costs associated with the offering of $1,650 in senior notes in connection with the Henkel share exchange as well as higher average interest rates.

Other income, net was $1 and zero, respectively, for the current periods, compared to $29 and $33, respectively, for the prior periods. The prior periods included a $20 gain recognized on the exchange of the equity investment in Henkel Iberica. In the prior periods, other income, net, also included a favorable mark-to-market adjustment on one of the Company's commodity derivative contracts of $3 and $7, respectively, and other smaller items.

The effective tax rate on continuing operations was 30.5% and 30.3% for the current periods, respectively, as compared to 30.0% and 32.2% for the prior periods, respectively, on an unrounded basis. The year-ago quarter included the benefit of a nontaxable gain and reversal of related deferred taxes on the exchange of the equity investment in Henkel Iberica. The current year quarter reflects a reduction in withholding tax on earnings to be repatriated under the American Jobs Creation Act. When compared to the year-ago period, the lower rate for the six months ended December 31, 2005 was largely driven by changes in the Company's estimates for income tax contingencies, the full impact of which was recognized during the current six-month period.

Earnings from discontinued operations, were $563 and $577 for the prior periods, respectively. The Company recognized a gain of $550 and reversed deferred taxes of $6 related to the exchanged operating businesses during the three and six months ended December 31, 2004.

The table below represents operating segment information.

	Net Sales			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Household Group — North America	$ 495	$ 465	$ 1,019	$ 973
Specialty Group	405	381	830	793
International	164	154	319	282
Total Company	$ 1,064	$ 1,000	$ 2,168	$ 2,048

	Earnings (Losses) from Continuing Operations Before Income Taxes			
	Three Months Ended		Six Months Ended	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Household Group — North America	$ 161	$ 154	$ 331	$ 321
Specialty Group	82	92	171	165
International	33	39	68	67
Corporate	(156)	(91)	(296)	(192)
Total Company	$ 120	$ 194	$ 274	$ 361

Household Group — North America

Net sales increased 6% and 5%, and volume increased 4% and 2% for the current periods, respectively, as compared to prior periods. The segment delivered increased shipments of Clorox disinfecting wipes, Clorox 2 ® color-safe bleach, and products for commercial and institutional markets for both current periods. The current quarter volume increases also reflect increased shipments of Clorox bathroom cleaner and Clorox BathWand system. These results for both periods were partially offset by decreased shipments of Clorox bleach pen, products in Canada and Brita water-filtration systems. Sales growth outpaced volume growth in both periods primarily due to the benefits of favorable product mix, and a favorable Canadian exchange rate. During the current quarter, sales growth was also favorably impacted by price increases on Clorox laundry and cleaning products. The year to date sales volume variance was also attributable to trade-promotion expenses.

Earnings from continuing operations before income taxes increased 5% and 3% for the current periods, respectively, as compared to prior periods. Growth in earnings from continuing operations before income taxes primarily reflected the benefit of volume growth, cost savings, price increases and favorable product mix, partially offset by unfavorable raw-material costs and higher marketing investment.

Specialty Group

Compared with the year-ago quarter, the segment reported 6% sales growth, flat volume and 11% decline in earnings from continuing operations before income taxes. Increased shipments of Glad trash bags and Kingsford ® charcoal products were offset by lower shipments of food products and cat litter. Sales growth outpaced volume growth primarily due to the benefits of price increases on Glad products and cat litter. Earnings from continuing operations before income taxes primarily reflected higher raw-material costs, product mix and transition costs related to the Kingsford charcoal improvement, partially offset by the benefits of cost savings and price increases.

The Specialty Group reported 5% sales growth, a 1% volume decline and 4% growth in earnings from continuing operations before income taxes during the six months ended December 31, 2005. Strong shipments of Scoop Away ® and Fresh Step ® cat litter were offset by lower shipments of Glad products and Kingsford charcoal products. Sales growth outpaced the change in volume due to the benefits of price increases taken on Glad products in February 2005, and higher trade- and consumer-promotion expenses in the year-ago period behind the launch of Glad ForceFlex trash bags. Earnings from continuing operations before income taxes reflected a favorable comparison to the year-ago period, when the Company recorded restructuring and asset impairment charges related to the Glad product supply chain. Other factors impacting earnings included the benefits of cost savings and price increases, partially offset by unfavorable costs for raw materials and transition costs related to the Kingsford charcoal improvement.

International

Net sales increased 6% and 13%, and volume increased 1% and 7% for the current periods, respectively, as compared to prior periods. The segment delivered increased shipments across Latin America behind new products and home-care category growth, substantially offset in the current quarter by lower volume in Australia from the discontinuation of a low-margin product line, along with decreased shipments to nonstrategic export customers. Sales growth outpaced volume growth primarily due to the benefits of price increases in Latin America and favorable product mix in Latin America and Australia.

Earnings from continuing operations before income taxes during the current quarter decreased 15% as compared to the prior year period. This decrease primarily reflects equity earnings from an investment transferred to Henkel as part of the share exchange in the prior period. Also attributable to the decrease were higher raw-material costs and increased marketing investment in Latin America to support new products, partially offset by the benefits of price increases and cost savings.

Earnings from continuing operations before income taxes for the year-to-date period increased 1% as compared to the prior year period. The increase primarily reflects the benefits of price increases and cost savings, substantially offset by an investment transferred to Henkel as part of the share exchange in the prior year period, higher raw-material costs and increased marketing investment in Latin America to support new products.

Corporate

Losses from continuing operations before income taxes attributable to the Corporate segment increased by 71% and 54% for the current periods, respectively, as compared to prior periods. The increased costs were primarily due to the $20 gain recognized on the exchange of the equity investment in Henkel Iberica in the prior year periods, higher interest costs associated with the offering of $1,650 in senior notes in connection with the Henkel share exchange, additional share-based compensation costs upon the adoption of SFAS No. 123-R in the current periods, a cumulative accrual for performance unit grants scheduled to vest in September 2006, and an increase in accruals for incentive compensation.

Operating Activities

The Company's financial condition and liquidity remain strong as of December 31, 2005. Net cash provided by operations was $83 for the six months ended December 31, 2005, compared with $405 in the comparable year-ago period. The decrease in operating cash flows was primarily due to lower earnings before certain non-cash charges and higher working capital resulting from a $151 income tax settlement payment, higher interest payments and increased receivables compared to December 31, 2004, due primarily to an increase in sales in the current quarter. Also contributing to the decline was lower levels of cash provided by discontinued operations from the businesses exchanged with Henkel.

Working Capital

The Company's balance of working capital, defined in this context as total current assets net of total current liabilities, increased from June 30, 2005 to December 31, 2005, principally due to decreases in accrued liabilities and accounts payable, and increases in inventories, partially offset by increases in short-term borrowings and decreases in receivables, net.

The decrease in accrued liabilities and accounts payable resulted primarily from the $151 tax settlement payment, and lower payables due to the timing of payments. The $36 increase in inventories was driven primarily by a build in the charcoal category's inventory to support seasonal sales.

The $163 increase in short-term borrowings was due primarily to additional commercial paper borrowing, net of maturities, to finance the tax settlement payment of $151 and share repurchases of $135. The $34 decrease in receivables was driven primarily by the seasonality of sales and collections in the charcoal and food categories.

Share Exchange Agreement

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

Investing Activities

Capital expenditures were $83 during the six months ended December 31, 2005 compared to $58 in the comparable prior year period. Capital spending as a percentage of net sales was 3.8% during the six months ended December 31, 2005, compared to 2.8% during the six months ended December 31, 2004. Higher capital expenditures in the current period were driven in part by additional investment related to charcoal manufacturing.

Financing Activities

During the six months ended December 31, 2005 and 2004, cash flows from continuing operations and short-term borrowings exceeded cash requirements to fund capital expenditures, dividends and scheduled debt service.

Credit Arrangements

As of December 31, 2005, the Company had a $1,300 domestic credit agreement, $165 of which expires in 2009 with the remainder expiring in 2010. There were no borrowings under this credit agreement, which is available for general corporate purposes and to support commercial paper issuances. In addition, the Company had $43 of foreign working capital credit lines and other facilities at December 31, 2005, of which $15 was available for borrowing. The Company is in compliance with all restrictive covenants and limitations as of December 31, 2005. The Company does not anticipate any problems in securing future credit agreements.

Share Repurchases

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

During the six months ended December 31, 2005, the Company acquired 2.4 million shares of its common stock at a total cost of $135 under the evergreen program. In fiscal year 2006, the Company plans to repurchase shares under this program to offset the impact of share dilution from the expected number of annual stock option exercises and performance units vesting. The amount of repurchases in any given quarter is influenced by the Company's view of the market and the Company's share price. There were no share repurchases under the open market program during the six months ended December 31, 2005.

During the six months ended December 31, 2004, the Company acquired approximately 61.4 million shares of its common stock from Henkel at a total cost of $2,843, including the value of the exchanged operating businesses and the equity interest transferred to Henkel. There were no repurchases under either the evergreen or the open-market program during the six months ended December 31, 2004.

Share-Based Compensation Plans

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

The compensation expense and related income tax benefit recognized in the income statement in the six months ended December 31, 2005, for stock options, performance units and restricted stock awards were $25 and $9, respectively, which include the $15 and $5, respectively, impact from the adoption of SFAS No. 123-R. As of December 31, 2005, there was $61 of total unrecognized compensation cost related to nonvested options and restricted stock awards, which is expected to be recognized over a weighted-average vesting period of 3 years.

The Company continues to estimate the fair value of each option award on the date of grant using the Black-Scholes option valuation model. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Previously, under SFAS No. 123, the Company did not utilize separate employee groupings in the determination of option values. The Company now estimates option forfeitures based on historical data for each employee grouping, and adjusts the rate to expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed. During the six months ended December 31, 2005, no adjustment was necessary.

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

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

During the six months ended December 31, 2005, the Company granted 0.5 million performance units, which had a weighted-average fair value on the grant date of $57 per share. The number of shares issued is dependent upon vesting and the achievement of specified performance targets. As of December 31, 2005, there was $21 of total unrecognized compensation cost related to nonvested performance unit grants issued after the adoption of SFAS 123-R, which is expected to be recognized over a remaining weighted-average performance period of 3 years. The Company recognized $4 of compensation expense in the six months ended December 31, 2005, related to the performance units granted during the period.

Prior to the adoption of SFAS No. 123-R, the Company’s issued performance unit grants to certain senior management that provided for the issuance of common stock if the Company’s stock performance meets specified performance goals based on comparisons with the performance of a selected peer group of companies. In fiscal year 2005, the Company began accruing a liability for the performance unit grants which vested in September 2005. In addition, in fiscal year 2006, the Company began accruing for performance unit grants which are scheduled to vest in September 2006 after it was determined that it was likely that certain performance goals would be met. In the three and six months ended December 31, 2005, the Company recognized $5 and $6, respectively, of additional expense related to grants made prior to the adoption of SFAS 123-R. Performance units granted prior to the adoption of SFAS No. 123-R also includes a grant that is scheduled to vest in September 2007. The Company has not yet recorded a liability related to these units because the vesting dates extend too far into the future to reasonably estimate whether the performance goals will be achieved. As of December 31, 2005, there were 0.3 million performance units outstanding related to performance units granted prior to the adoption of SFAS No. 123-R, of which 0.1 million have vested. The total fair value of shares vested in the first half of fiscal year 2006 was $6.

In November 2005, the Company's stockholders approved the 2005 Stock Incentive Plan ("2005 Plan"). The 2005 Plan permits the Company to grant various non-qualified stock-based compensation awards, including stock options, performance units and restricted stock. As a result of the adoption of the 2005 Plan, no further awards will be granted from any prior plans, including the 1996 Stock Incentive Plan and the 1993 Directors' Stock Option Plan.

Guarantees

In conjunction with divestitures and other transactions, the Company may provide indemnifications relating to the enforceability of trademarks, pre-existing legal, tax, environmental and employee liabilities, as well as provisions for product returns and other items. The Company has indemnification agreements in effect that specify a maximum possible indemnification exposure. The Company's aggregate maximum exposure from these agreements is $299, which consists primarily of an indemnity of up to $250 made to Henkel in connection with the Share Exchange Agreement, subject to a minimum threshold of $12 before any payments would be made. The general representations and warranties made by the Company in connection with the Henkel Share Exchange Agreement were made to guarantee statements of fact at the time of the transaction closing and pertain to environmental, legal, and other matters and have terms with varying expiration dates.

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

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

The Company has not recorded any liabilities on any of the aforementioned guarantees at December 31, 2005.

Environmental Contingencies

The Company is involved in certain environmental matters, including Superfund and other response actions at various locations. The Company has a recorded liability of $30 and $33 at December 31, 2005, and June 30, 2005, respectively, for its share of the related aggregate future remediation cost. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability at both December 31, 2005 and June 30, 2005. The Company is subject to a cost-sharing arrangement with another party for this matter, under which Clorox has agreed to be liable for 24.3% of the aggregate remediation and associated costs, other than legal fees, as the Company and the other party are each responsible for their own such fees. If the other party with whom Clorox shares joint and several liability is unable to pay its share of the response and remediation obligations, Clorox would likely be responsible for such obligations. In October 2004, the Company and the other party agreed to a consent judgment with the Michigan Department of Environmental Quality ("MDEQ"), which sets forth certain remediation goals and monitoring activities. Based on the current status of this matter, and with the assistance of environmental consultants, the Company maintains an undiscounted liability representing its best estimate of its share of costs associated with the capital expenditures, maintenance and other costs to be incurred over an estimated 30-year remediation period. The most significant components of the liability relate to the estimated costs associated with the remediation of groundwater contamination and excess levels of subterranean methane deposits. Currently, the Company cannot accurately predict the timing of the payments that will likely be made under this estimated obligation. In addition, the Company's estimated loss exposure is sensitive to a variety of uncertain factors, including the efficacy of remediation efforts, changes in remediation requirements and the timing, varying costs and alternative clean-up technologies that may become available in the future. Although it is possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

Cautionary Statement

Except for historical information, matters discussed above and in the financial statements and footnotes and other parts of this report, including statements about future volume, sales, costs, cost savings, earnings, cash outflows, pension liabilities, plans, objectives, expectations, growth, or profitability, are forward-looking statements based on management’s estimates, assumptions and projections. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and variations on such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed above and in the financial statements and footnotes. Important factors that could affect performance and cause results to differ materially from management’s expectations are described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2005, as updated from time to time in the Company’s SEC filings. These factors include, but are not limited to, general economic and marketplace conditions and events; competitors’ actions; the Company’s costs, including changes in exposure to commodity costs such as resin, diesel and chlor-alkali; increases in energy costs; consumer and customer reaction to price increases; the Company’s actual cost performance; any future supply constraints which may affect key commodities; risks inherent in sole-supplier relationships; risks arising out of natural disasters; risks inherent in litigation and international operations; the ability to manage and realize the benefits of joint ventures and other cooperative relationships, including the Company’s joint venture with The Procter & Gamble Company (“P&G”) regarding the Company’s Glad plastic bags, wraps and containers business; the success of new products; the integration of acquisitions and mergers; the divestiture of non-strategic businesses; the implementation of the Company’s strategy; and the ability of the Company to successfully manage tax, regulatory, product liability, intellectual property and environmental matters, including the risk resulting from joint and several liability for environmental contingencies. In addition, the Company’s future performance is subject to risks particular to the share exchange transaction with Henkel KGaA (“Henkel”), including the sustainability of cash flows and the actual level of debt costs. Declines in cash flow, whether resulting from tax payments, debt payments, share repurchases, P&G’s increased equity in the joint venture, interest cost increases greater than management expects, or otherwise, could adversely affect the Company’s earnings.

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4. Controls and Procedures

The Company’s management, with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this report, were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure. There was no change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION (Unaudited)

Item 1. Legal Proceedings

None.

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

The following table sets forth the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the second quarter of fiscal year 2006.

Period	[a] Total Number of Shares (or Units) Purchased or Otherwise Acquired (1)	[b] Average Price Paid per Share (or Unit)	[c] Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs(2)
October 1 to 31, 2005	3,168	$54.73	—	$767,723,099
November 1 to 30, 2005	836,149	$54.06	834,200	$767,723,099
December 1 to 31, 2005	135	$57.35	—	$767,723,099

(1) Of the 3,168 shares purchased in October 2005, 2,774 relate to the surrender to the Company of shares of common stock to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees. The remaining 394 shares purchased were surrenders to the Company of already-owned shares of common stock to pay the exercise price or to satisfy tax withholding obligations in connection with the exercise of employee stock options. The shares purchased in November 2005 include 834,200 shares of common stock acquired pursuant to the share repurchase program to offset the potential impact of stock option dilution and 1,949 shares of common stock surrendered to the Company to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees. The shares purchased in December 2005 relate entirely to the surrender to the Company of shares of common stock to satisfy withholding obligations in connection with the vesting of restricted stock granted to employees.

(2) The board of directors approved a $500,000,000 share repurchase program on August 7, 2001, all of which has been utilized; a $500,000,000 share repurchase program on July 17, 2002, of which $67,723,099 remains available for repurchases; and a $700,000,000 share repurchase program on July 16, 2003, all of which remains available for repurchases. On September 1, 1999, the Company also announced a share repurchase program to reduce or eliminate dilution upon the issuance of shares pursuant to the Company's stock compensation plans. The program initiated in 1999 has no specified cap and therefore is not included in column [d] above. On November 15, 2005, the Board of Directors authorized the extension of the 1999 program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Company's 2005 Stock Incentive Plan. None of these programs has a specified termination date.

Item 3. Defaults Upon Senior Securities

None.

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

At the Company's 2005 Annual Meeting of Stockholders held on November 16, 2005, the following actions were taken:

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

	FOR	WITHHOLD
Daniel Boggan, Jr.	122,619,917	5,175,603
Tully M. Friedman	120,310,640	7,484,880
Gerald E. Johnston	122,242,525	5,552,995
Robert W. Matschullat	125,458,458	2,337,063
Gary G. Michael	122,409,285	5,386,235
Jan L. Murley	125,446,036	2,349,484
Lary R. Scott	118,027,789	9,767,731
Michael E. Shannon	120,365,669	7,429,851
Pamela Thomas-Graham	125,281,926	2,513,594
Carolyn M. Ticknor	125,110,301	2,685,219

Pursuant to the terms of the Notice of Annual Meeting and Proxy Statement, 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 approve the 2005 Stock Incentive Plan was approved by the stockholders. The stockholders cast 89,322,397 votes in favor of this proposal and 14,652,793 votes against. There were 1,353,762 abstentions and 22,252,753 broker non-votes.

A proposal by the Board of Directors to approve the Executive Incentive Compensation Plan was approved by the stockholders. The stockholders cast 90,752,615 votes in favor of this proposal and 13,090,600 votes against. There were 1,485,735 abstentions and 22,252,754 broker non-votes.

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending June 30, 2006, was approved by the stockholders. The stockholders cast 126,187,170 votes in favor of this proposal and 578,473 votes against. There were 1,029,876 abstentions.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

(10-1) The Clorox Company 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 21, 2005, incorporated herein by reference).

(10-2) The Clorox Company Executive Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on November 21, 2005, incorporated herein by reference).

(10-3) The Clorox Company Independent Directors Deferred Compensation Plan.

(10-4) Amendment dated as of November 22, 2005 to the Credit Agreement dated as of December 7, 2004, among The Clorox Company, Citibank USA, Inc. and JPMorgan Chase, N.A., as Administrative Agents, and the other Agents and Banks parties thereto.

(31-1) Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31-2) Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32) Certification by the Chief Executive Officer and Chief Financial Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CLOROX COMPANY
(Registrant)

DATE: February 3, 2006

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

EXHIBIT INDEX

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Exhibit 10-3

THE CLOROX COMPANY
INDEPENDENT DIRECTORS'
DEFERRED COMPENSATION PLAN

1. **Establishment, Objectives, Duration** .

The Clorox Company (hereinafter referred to as the "Company") hereby establishes a nonqualified deferred compensation plan for Independent Directors of the Company to be known as the "The Clorox Company Independent Directors' Deferred Compensation Plan" (hereinafter referred to as the "Plan").

The purpose of the Plan is to enhance the Company's ability to attract and retain Independent Directors whose training, experience and ability will promote the interests of the Company and to directly align the interests of such Independent Directors with the interests of the Company's stockholders. The Plan is designed to permit Independent Directors to defer the receipt of all or a portion of the compensation otherwise payable to them for services to the Company as members of the Board.

The Plan is effective as of November 16, 2005. The Plan will remain in effect until such time as it shall be terminated by the Board, pursuant to Section 11 herein.

2. **Definitions** .

The following terms, when capitalized, shall have the meanings set forth below:

(a) " Account " means a bookkeeping account established and maintained for a Participant pursuant to Section 5(a).

(b) " Beneficiary " means the person, persons or entity designated by the Participant pursuant to Section 10 to receive any benefits payable under the Plan.

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

(d) " Change in Control " means

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

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

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

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

(e) " Code " means the Internal Revenue Code of 1986, as amended.

(f) " Company " means The Clorox Company and any successor thereto as provided in Section 12(d).

(g) " Deferred Stock Unit " means a hypothetical Share as described in Section 5(b).

(h) " Deferred Stock Unit Award " means any annual award of Deferred Stock Units that may be granted to a Participant for services to the Company as an Independent Director under The Clorox Company 2005 Stock Incentive Plan (or any successor stock incentive plan approved by the stockholders of the Company).

(i) " Director's Fees " means the annual cash retainer for Board and committee service, special assignment fees, meeting fees, Committee Chair or Presiding Director fees, and other amounts payable to a Participant for services to the Company as an Independent Director. Director's Fees do not include awards granted to a Participant under The Clorox Company 2005 Stock Incentive Plan (or any successor stock incentive plan approved by the stockholders of the Company).

(j) " Exchange Act " means the Securities Exchange Act of 1934, as amended.

(k) " Fair Market Value " means, as of any date, the value of a Share determined as follows:

(i) Where there exists a public market for the Share, the Fair Market Value shall be (a) the closing sales price for a Share for the last market trading day prior to the time of the determination (or, if no sales were reported on that date, on the last trading date on which sales were reported) on the New York Stock Exchange, the NASDAQ National Market or the principal securities exchange on which the Share is listed for trading, whichever is applicable, or (b) if the Share is not traded on any such exchange or national market system, the average of the closing bid and asked prices of a Share on the NASDAQ Small Cap Market, in each case, as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(ii) In the absence of an established market of the type described above for the Share, the Fair Market Value thereof shall be determined by the Board in good faith, and such determination shall be conclusive and binding on all persons.

(l) " Independent Director " means any individual who is a member of the Board of Directors of the Company who is not an employee of the Company or any of its subsidiaries.

(m) " Participant " means any Independent Director who elects to participate by filing a Participation Agreement as provided in Section 4.

(n) " Participation Agreement " means an agreement in such form as the Board may prescribe filed by a Participant in accordance with Section 4.

(o) " Payment Anniversary Date " means an anniversary of the Payment Commencement Date.

(p) " Payment Commencement Date " means the first business day of the Plan Year immediately following the Plan Year in which the Participant terminates service as a member of the Board.

(q) " Plan " means The Clorox Company Independent Directors' Deferred Compensation Plan, as amended from time to time.

(r) " Plan Year " means the calendar year.

(s) " Share " means a share of common stock of the Company, par value $1.00 per share.

3. **Administration of the Plan** .

(a) In General . The Plan shall be administered by the Board. The Board shall act by vote or written consent of a majority of its members.

(b) Authority of the Board . Subject to applicable laws and the provisions of the Plan, the Board shall have full and final authority in its discretion to establish rules and take all actions, including, without limitation, interpreting the terms of the Plan and any related rules or regulations or other documents enacted hereunder and deciding all questions of fact arising in their application, determined by the Board to be necessary in the administration of the Plan.

(c) Effect of Board's Decision . All decisions, determinations and interpretations of the Board shall be final, binding and conclusive on all persons, including the Company, its stockholders, the Participants and their estates and Beneficiaries.

(d) Delegation . The Board may delegate to any Board committee or officers of the Company any and all authority with which it is vested under the Plan, and the Board may allocate its responsibilities under the Plan among its members.

4. **Participation and Crediting of Accounts** .

(a) Participation . Participation in the Plan shall be limited to Independent Directors who elect to participate in the Plan by filing a Participation Agreement with the Board. A Participation Agreement must be filed prior to the beginning of the Plan Year for which it is effective; provided, however, that in the first year in which an individual becomes eligible to participate in the Plan, the newly eligible Participant may make an election to defer compensation for services to be performed subsequent to such election within 30 days after date the individual first becomes eligible to participate.

(b) Contents of Participation Agreement .

(i) Each Participant Agreement shall set forth whether the Participant elects to receive Director's Fees in cash, Shares, deferred cash or Deferred Stock Units. A Participant who does not file a timely Participation Agreement for a Plan Year shall receive his or her Director's Fees in cash.

(ii) A Participant who elects to receive his or her Director's Fees in Shares, deferred cash, and/or Deferred Stock Units shall specify the percentage of such Director's Fees (in multiples of 10%) to be paid in Shares, deferred cash or Deferred Stock Units.

(iii) Each Participation Agreement shall set forth whether amounts deferred pursuant to subparagraphs (i) and (ii) above will be paid as a lump sum payment or in five annual installments, as set forth in Section 6(c) herein.

(iv) Each Participation Agreement shall also set forth whether Deferred Stock Unit Awards will be paid as a lump sum payment or in five annual installments, as set forth in Section 6(c) herein.

(c) Payment of Shares and Crediting of Accounts .

(i) A Participant who elects to receive all or a portion of his or her Director's Fees as Shares shall be distributed Shares as of the last day of each calendar quarter equal to his or her accrued Director's Fees for the quarter, multiplied by the percentage of such Director's Fees previously selected by the Participant to be applied to the purchase of Shares, and divided by the Fair Market Value of a Share as of the last trading day in such calendar quarter. Cash shall be distributed in lieu of fractional Shares.

(ii) A Participant who elects to receive all or a portion of his or her Director's Fees as deferred cash shall have credited to his or her Account as of the last day of each calendar quarter an amount determined by multiplying his or her accrued Director's Fees for the quarter by the percentage of such Director's Fees previously selected by the Participant to be received as deferred cash.

(iii) A Participant who elects to receive all or a portion of his or her Director's Fees as Deferred Stock Units shall have credited to his or Account as of the last day of each calendar quarter the number of Deferred Stock Units (including fractional Deferred Stock Units) determined by multiplying his or her accrued Director's Fees for the quarter by the percentage of such Director's Fees previously selected by the Participant to be applied to the purchase of Deferred Stock Units, and dividing the product thereof by the Fair Market Value of a Share as of the last trading day in such calendar quarter.

(d) Modification or Revocation of Election by Participant . Elections made pursuant to paragraphs (b)(i) and (ii) of this Section 4 shall remain in effect for the next Plan Year and for subsequent Plan Years unless and until a new Participation Agreement is provided. Any elections made under a new Participation Agreement will apply only to Director's Fees earned in the Plan Year beginning after the date of the new Participation Agreement.

5. **Maintenance and Investment of Accounts** .

(a) Accounts. A separate Account shall be maintained for each Participant. In addition, various subaccounts may be maintained for a Participant as necessary to reflect separate Participation Agreements, cash deferrals, and Deferred Stock Units. A Participant's Account shall be utilized solely as a device for measurement and determination of the amounts to be paid to the Participant pursuant to the Plan, and shall not constitute or be treated as a trust fund of any kind. The balance of a Participant's Account shall be adjusted to reflect changes in the value of the deemed investments thereof, adjustments, credits and debits pursuant to paragraphs (b) and (c) below, any Deferred Stock Unit Awards, and distributions pursuant to Section 6.

(b) Deferred Stock Units .

(i) *Deemed Investment in Shares* . The Account of a Participant who elects to receive Deferred Stock Units, as well as the Account of a Participant who receives Deferred Stock Unit Awards, shall be treated as if it were invested in Deferred Stock Units equivalent in value to the Fair Market Value of Shares in accordance with the following rules:

(a) *Deemed Reinvestment of Dividend Equivalents* . The number of Deferred Stock Units credited to a Participant's Account shall be increased on each date on which a dividend is paid on Shares. The number of additional Deferred Stock Units credited to a Participant's Account as a result of such increase shall be determined by (1) multiplying the total number of Deferred Stock Units (excluding fractional Deferred Stock Units) credited to the Participant's Account immediately before such increase by the amount of the dividend paid per Share on the dividend payment date, and (2) dividing the product so determined by the Fair Market Value of a Share on the dividend payment date.

(b) *Adjustments upon Change in Capitalization* . In the event of any merger, reorganization consolidation, recapitalization, liquidation, stock dividend, split-up, spin-off, stock split, reverse stock split, share combination, share exchange, extraordinary dividend, or any change in the corporate structure affecting the Shares, the number of Deferred Stock Units credited to a Participant's Account and/or the kind or class of shares deliverable under the Plan shall be adjusted in such manner as may be determined to be appropriate and equitable by the Board, in its sole discretion, to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the Plan. The determination of the Board as to such adjustments, if any, to be made shall be conclusive and binding on all Participants and Beneficiaries.

(ii) *Hypothetical Nature of Investments* . The Deferred Stock Units established hereunder shall be used solely to determine the amounts to be paid hereunder, shall not be or represent an equity security of the Company, shall not be convertible into or otherwise entitle a Participant to acquire an equity security of the Company and shall not carry any voting rights.

(c) Cash Deferrals . Cash deferrals shall be credited with interest at an annual rate for each Plan Year equal to the Prime Lending Rate of Wells Fargo Bank as in effect on January 1 of such year. Interest shall be accrued to the date of the actual payment and shall be compounded on a calendar quarter basis.

6. **Payments** .

(a) Time of Payment . Payments to a Participant with respect to the Participant's Account, including any Deferred Stock Unit Awards credited to a Participant's Account, shall begin as of the Participant's Payment Commencement Date; provided, however, that if a Participant dies before the Participant's Payment Commencement Date, payment of the entire value of the Participant's Account shall be made to the Participant's Beneficiary in accordance with the provisions of paragraph (c) below after the Board receives all documents and other information that it requests in connection with the payment.

(b) Medium of Payment . Except to the extent the Board determines otherwise, the portion of the Participant's Account denominated in Deferred Stock Units shall be paid in Shares. One Share shall be paid for each whole Deferred Stock Unit contained therein, and any fractional Deferred Stock Units shall be paid in cash. The portion of the Participant's Account denominated in cash shall be paid in cash.

(c) Form of Payment .

(i) *Lump Sum* . A Participant shall receive his or her Account under the Plan in the form of a lump sum payment unless the Participant has elected to receive any portion thereof in five annual installments in accordance with subparagraph (ii). The lump sum shall be payable to the Participant in cash and/or Shares on the Payment Commencement Date. If the Participant dies before his or her Payment Commencement Date, a lump sum payment shall be made to the Participant's Beneficiary on the Payment Commencement Date.

(ii) *Five Annual Installments* . A Participant may elect to receive all or a portion of his or her Account under the Plan in five annual installments. Such election must be made in the Participant's Participation Agreement pursuant to Section 4. Annual installments shall be payable to the Participant in cash/and or Shares beginning as of the Payment Commencement Date and continuing each Payment Anniversary Date thereafter until all installments have been paid. The first annual installment shall equal one-fifth ($1/5^{th}$) of the value of the Participant's Account(s), determined as of the Payment Commencement Date. Each successive annual installment shall equal the value of the Participant's Account(s), determined as of the Payment Anniversary Date, multiplied by a fraction, the numerator of which is one, and the denominator of which is the excess of five over the number of installment payments previously made (i.e., 1/4 th in year 2, 1/3 rd in year 3, etc.). If the Participant dies before the Participant's Payment Commencement Date having elected to receive benefits in five annual installments, or after the Participant's Payment Commencement Date but before all five installments have been paid, the remaining installments shall be paid to the Participant's Beneficiary in accordance with the schedule in this subparagraph (ii).

7. **Shares Subject to the Plan** .

Unless otherwise determined by the Board, payments under the Plan that are made in the form of Shares, in whole or in part, shall be made from the aggregate number of Shares authorized to be issued under and otherwise in accordance with the terms of The Clorox Company 2005 Stock Incentive Plan (or any successor stock incentive plan approved by the stockholders of the Company). No Shares are reserved for issuance under the Plan.

8. **Change in Control.**

Except as otherwise provided by the Board, upon the occurrence of a Change in Control or as soon as reasonably practicable thereafter, the value of all amounts deferred by a Participant which have not yet been credited to the Participant's Account and the value of such Participant's Account shall be paid to the Participant, in each case as a lump sum cash payment. For purposes of payments under this Section 8, the value of a Deferred Stock Unit shall be computed as the greater of (a) the Fair Market Value of a Share on or nearest the date on which the Change in Control is deemed to occur, or (b) the highest per share price for Shares actually paid in connection with the Change in Control.

9. **Taxes** .

The Company shall have the power and right to deduct or withhold from all credits and payments under the Plan any applicable taxes that the Board reasonably determines to be required by law to be withheld from such credits and payments.

10. **Beneficiary Designation.**

(a) Beneficiary Designation . Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Board, on such form and in accordance with such procedures as the Board shall establish from time to time.

(b) No Beneficiary Designation . If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

11. **Amendment or Termination of the Plan** .

The Board may at any time and from time to time, amend, suspend or terminate the Plan in whole or in part; provided, however, that no such amendment, suspension or termination shall adversely affect the rights of any Participant or Beneficiary under the Plan unless consented to in writing by such Participant or, in the event the Participant is deceased, the Beneficiary.

12. **Miscellaneous** .

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

(b) No Assignment **.** Except as specifically set forth in the Plan with respect to the designation of Beneficiaries and as otherwise required by applicable law, any interest, benefit, payment, claim or right of any Participant under the Plan shall not be sold, transferred, assigned, pledged, encumbered or hypothecated by any Participant and shall not be subject in any manner to any claims of any creditor of any Participant or Beneficiary, and any attempt to take any such action shall be null and void.

(c) Severability . In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(d) Successors . All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successors is the result of a direct or indirect purchase, merger, consolidation, or other event, or a sale or disposition of all or substantially all of the business and/or assets of the Company and references to the “Company” herein any in any Participation Agreements shall be deemed to refer to such successors.

(e) Requirements of Law . The payment of cash or Shares under the Plan shall be subject to all applicable laws and to such approvals by any governmental agencies or national securities exchanges as may be required.

(f) Unfunded Plan . The Plan is intended to be an unfunded plan benefiting persons who are not employees of the Company or any of its subsidiaries. All payments pursuant to the Plan will be made from the general assets of the Company, and the rights of Participants and Beneficiaries under the Plan will be only those of general unsecured creditors of the Company.

(g) Governing Law . To the extent not preempted by federal law, the Plan shall be construed in accordance with and governed by the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction.

(h) Non-Exclusive Plan . The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable.

(i) Code Section 409A Compliance . To the extent applicable, it is intended that this Plan and all deferrals and payments made hereunder comply with the requirements of Section 409A of the Code and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ("Section 409A"). Any provision that would cause the Plan or any deferral or payment made hereunder to fail to satisfy Section 409A shall have no force or effect until amended to comply with Section 409A, which amendment may be retroactive to the extent permitted by Section 409A.

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of November 22, 2005 (this " **Amendment** ") to the Credit Agreement dated as of December 7, 2004 among The Clorox Company, Citicorp USA, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agents, and the other Agents and Banks parties thereto (the " **Agreement** ").

W I T N E S S E T H :

WHEREAS, the Agreement includes a provision whereby the Commitments of the Banks may be extended from time to time; and

WHEREAS, the parties hereto desire to amend this provision to modify the timetable specified therein; and

WHEREAS, the parties hereto also desire to utilize this Amendment to memorialize the initial extension of Commitments pursuant to said provision;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 . Defined Terms; References . Unless otherwise specifically defined herein, each term used herein that is defined in the Agreement has the meaning assigned to such term in the Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Agreement shall, after this Amendment becomes effective, refer to the Agreement as amended hereby.

Section 2 . Amendment. Section 2.01(b) of the Agreement is amended to read as follows:

> " *Extension of Commitments.* The Borrower may, upon not less than 45 days notice to the Servicing Agent (which shall notify each Bank of receipt of such request), propose to extend the Termination Date for an additional one-year period measured from the Termination Date then in effect. Each Bank shall endeavor to respond to such request, whether affirmatively or negatively (such determination in the sole discretion of such Bank), by notice to the Borrower and the Servicing Agent within 30 days of its receipt of such request. Subject to the execution by the Borrower, the Administrative Agents and such Banks of a duly completed Extension Agreement in substantially the form of Exhibit H (or other comparable documentation satisfactory to the Borrower and the Administrative Agents), the Termination Date applicable to the Commitment of each Bank so affirmatively notifying the Borrower and

the Servicing Agent shall be extended for the period specified above; *provided* that the Termination Date shall not be extended unless Banks having at least 66 2/3% in aggregate amount of the Commitments in effect at the time any such extension is requested shall have elected so to extend their Commitments. Any Bank which does not give such notice to the Borrower and the Servicing Agent shall be deemed to have elected not to extend as requested, and the Commitment of each non-extending Bank shall terminate on, and each of its outstanding Loans shall mature on a date no later than, the Termination Date determined without giving effect to such requested extension. The Borrower shall have the right, with the assistance of the Administrative Agents, to seek a mutually satisfactory substitute bank or banks or other financial institution (which may be, but need not be, an extending Bank) to replace a non-extending Bank."

Section 3 . *Extension of Commitments* . The Termination Date is hereby extended for a one-year period to December 7, 2010 as applicable to the Commitment of each Bank from which the Servicing Agent shall have received a signed counterpart as contemplated by Section 7(b) hereof.

Section 4 . *Representations of Borrower* . The Borrower represents and warrants that on and as of the date hereof (i) the representations and warranties of such Borrower set forth in Article 4 of the Agreement are true and (ii) no Default has occurred and is continuing on such date.

Section 5 . *Governing Law* . This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

Section 6 . *Counterparts* . This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7 . *Effectiveness.* (a) Section 2 of this Amendment shall become effective when the Servicing Agent shall have received from each of the Borrower and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Servicing Agent) that such party has signed a counterpart hereof.

(b) Section 3 of this Amendment shall become effective when the Servicing Agent shall have received from each of the Borrower, the Administrative Agents and Banks having at least 66 2/3% in aggregate amount of the Commitments a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Servicing Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

THE CLOROX COMPANY

By: /s/ Charles R. Conradi
Name: Charles R. Conradi
Title: Treasurer

By: /s/ Mary Beth Springer
Name: Mary Beth Springer
Title: Group V.P.

CITICORP USA, INC.,
as a Bank, as Servicing Agent and as
Administrative Agent

By: /s/ J. Gregory Davis
Name: J. Gregory Davis
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as a Bank and as Administrative Agent

By: /s/ William P. Rindfuss
Name: William P. Rindfuss
Title: Vice President

WACHOVIA BANK, N.A., as a Bank

By: /s/ Thomas M. Harper
Name: Thomas M. Harper
Title: Senior Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD., SEATTLE BRANCH, as a Bank

By: /s/ Tsuneto Kodama
Name: Tsuneto Kodama
Title: General Manager

ING CAPITAL LLC, as a Bank

By: /s/ Bill Redmond
Name: Bill Redmond
Title: Managing Director

BNP PARIBAS, as a Bank

By: /s/ Katherine Wolfe
Name: Katherine Wolfe
Title: Director

By: /s/ Sandy Bertram
Sandy Bertram
Vice President

CALYON NEW YORK BRANCH, as a
Bank

By: /s/ Dianne M. Scott
Name: Dianne M. Scott
Title: Managing Director

By: /s/ Richard Laborie
Name: Richard Laborie
Title: Director

WILLIAM STREET COMMITMENT CORPORATION (Recourse only to assets of William Street Commitment Corporation), as a Bank

By: /s/ Mark Walton
Name: Mark Walton
Title: Assistant Vice President

THE BANK OF NEW YORK, as a Bank

By: /s/ Lisa Y. Brown
Name: Lisa Y. Brown
Title: Managing Director

BANCO BILBAO VIZCAYA
ARGENTARIA, S.A., as a Bank

By: /s/ Hector O. Villegas
Name: Hector O. Villegas
Title: Vice President
Global Corporate Banking

By: /s/ Giampaolo Consigliere
Giampaolo Consigliere
Vice President
Global Trade Finance

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as a Bank

By: /s/ Margarita Chichioco
Name: Margarita Chichioco
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.,
as a Bank

By: /s/ J. William Bloore
Name: J. William Bloore
Title: Vice President

U.S. BANK NATIONAL
ASSOCIATION, as a Bank

By: /s/ Janet Jordan
Name: Janet Jordan
Title: Vice President

SANPAOLO IMA S.P.A., as a Bank

By: /s/ Renato Carducci
Name: Renato Carducci
Title: G.M.

SANPAOLO IMA S.P.A., as a Bank

By: /s/ Robert Wurster
Name: Robert Wurster
Title: S.V.P.

FIFTH THIRD BANK, as a Bank

By: /s/ Gary S. Losey

Name: Gary S. Losey

Title: AVP — Relationship Manager

THE NORTHERN TRUST COMPANY,
as a Bank

By: /s/ John P. Brazzale
Name: John P. Brazzale
Title: Vice President

Exhibit 31-1

CERTIFICATION

I, Gerald E. Johnston, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 3, 2006

/s/ Gerald E. Johnston

Gerald E. Johnston
Chairman and Chief Executive Officer

Exhibit 31-2

CERTIFICATION

I, Daniel J. Heinrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Clorox Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2006

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Senior Vice President — Chief Financial Officer

Exhibit 32

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-Q for the period ended December 31, 2005 as filed with the Securities and Exchange Commission (the "Report"), we, Gerald E. Johnston, Chief Executive Officer of the Company, and Daniel J. Heinrich, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

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

Date: February 3, 2006.

/s/ Gerald E. Johnston

Gerald E. Johnston
Chairman and Chief Executive Officer

/s/ Daniel J. Heinrich

Daniel J. Heinrich
Senior Vice President — Chief Financial Officer