CLOROX CO /DE/
Form DEF 14A
October 04, 2006

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [x]
Filed by a Party other than the Registrant [_]

Check the appropriate box:
[_] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[x] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Under Rule 14a-12

THE CLOROX COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
[x] No fee required.
[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:
[_] Fee paid previously with preliminary materials:
[_] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

---

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

The Clorox Company

Notice of 2006 Annual Meeting, Proxy Statement and Annual Financial Statements

Annual Meeting of Stockholders
November 15, 2006

THE CLOROX COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 15, 2006

The Annual Meeting of Stockholders of The Clorox Company, a Delaware corporation (the Company), will be held at 9:00 a.m. Pacific time on Wednesday, November 15, 2006, at the offices of the Company, 1221 Broadway; Oakland, CA 94612-1888, for the following purposes:

1. To elect a board of 10 directors to hold office until the next annual election of directors;

2. To ratify the selection of Ernst & Young LLP as the Companys independent registered public accounting firm for the fiscal year ending June 30, 2007; and

3. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

The board of directors has fixed the close of business on September 19, 2006, as the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. A list of such stockholders will be available at the Annual Meeting and, during the 10 days prior to the Annual Meeting, at the office of the Secretary of the Company at 1221 Broadway; Oakland, CA 94612-1888.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you should bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, you will need to bring a proxy or letter from that broker, trust, bank or nominee that confirms you are the beneficial owner of those shares.

A copy of the Companys Annual Report for the fiscal year ended June 30, 2006 is included with this mailing.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THIS MEETING. EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING, WE HOPE THAT YOU WILL READ THE ENCLOSED PROXY STATEMENT AND THE VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, AND THEN VOTE (1) BY COMPLETING, SIGNING, DATING AND MAILING THE PROXY CARD IN THE ENCLOSED POSTAGE PREPAID ENVELOPE, OR (2) BY CALLING THE TOLL-FREE NUMBER LISTED ON THE PROXY CARD, OR (3) VIA THE INTERNET AS INDICATED ON THE PROXY CARD. THIS WILL NOT LIMIT YOUR RIGHT TO ATTEND OR VOTE AT THE ANNUAL MEETING.

By Order of the Board of Directors

Laura Stein,
Senior Vice President
General Counsel & Secretary

October 4, 2006

THE CLOROX COMPANY

1221 Broadway
Oakland, CA 94612-1888

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of The Clorox Company, a Delaware corporation (Clorox or the Company), for use at the Annual Meeting of Stockholders of the Company (the Annual Meeting), to be held at 9:00 a.m. Pacific time on November 15, 2006 at the above offices of the Company.

This proxy statement and the accompanying proxy are first being sent or given to stockholders on or about October 4, 2006. The costs of this proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials, are borne by the Company.

INFORMATION ABOUT VOTING

Who Can Vote

The only voting securities of the Company are its shares of common stock (Common Stock), of which 151,569,422 shares were outstanding and entitled to vote at the close of business on September 19, 2006. Only stockholders of record at the close of business on September 19, 2006 are entitled to vote at the Annual Meeting. The holders of the Common Stock are entitled to one vote per share on each matter submitted to a vote of stockholders.

Voting Procedures

Stockholders can vote their shares in one of two ways: either by proxy or in person at the Annual Meeting by written ballot. Stockholders who chose to vote by proxy may do so by mail, via the Internet or by telephone. Each of these procedures is explained below. Even if you plan to attend the Annual Meeting, the board of directors recommends that you vote by proxy. In this way, your shares of Common Stock will be voted as directed if you are unable to attend the Annual Meeting.

Voting by Proxy

Because many stockholders cannot attend the Annual Meeting in person, it is necessary that a large number of stockholders be represented by proxy. By signing and returning the proxy card by mail according to the enclosed instructions or by following the procedures for voting via the Internet or by telephone, you will enable Donald R. Knauss, Daniel J. Heinrich and Laura Stein, each of whom is named on the proxy card as a proxy holder, to vote your shares at the Annual Meeting in the manner indicated. Now that the Company has adopted a Bylaw that provides for majority voting for directors, when you vote your proxy, you can specify whether your shares should be voted for or against each of the nominees for director identified in Proposal 1, or you can abstain from voting on the nominees for director. You can also specify whether you approve, disapprove or abstain from voting on Proposal 2, which is described in this proxy statement. If you submit the proxy card, but do not provide voting instructions, your shares will be voted as follows:

- FOR the election of the 10 nominees for director (Proposal 1); and
- FOR the ratification of the appointment of Ernst & Young LLP as the Companys independent registered public accounting firm for the fiscal year ending June 30, 2007 (Proposal 2).

Management of the Company is not aware of any matters other than those described in this proxy statement that may be presented for action at the Annual Meeting. If any other matters are properly presented at the Annual Meeting for consideration, the proxy holders will have discretion to vote for you on those matters.

Voting by Mail, via the Internet or by Telephone

If you hold your shares in your own name as a holder of record, you may vote your shares by mailing in a completed proxy card or by following the instructions for voting via the Internet or by telephone that are set forth on the proxy card. To vote by mailing a proxy card, sign and return the proxy card in the enclosed postage prepaid and addressed envelope, and your shares will be voted at the Annual Meeting in the manner you direct. The Internet and telephone voting procedures are designed to authenticate each stockholders identity and to allow stockholders to vote their shares and confirm that their voting instructions have been properly recorded. If you vote via the Internet or telephone, you do not need to return your proxy card.

If your shares are registered in the name of a bank or brokerage firm, you will receive instructions from your holder of record that must be followed in order for the record holder to vote the shares in accordance with your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the telephone or via the Internet. If telephone or Internet voting is unavailable from your bank or brokerage firm, please complete and return the enclosed voting instruction card in the addressed, postage-paid envelope provided.

Voting at the Annual Meeting

If you wish to attend the Annual Meeting and vote in person, you may vote by written ballot at the Annual Meeting. If your shares are held in the name of a bank or brokerage firm, you must bring a proxy executed in your favor from that bank or brokerage firm in order to vote at the Annual Meeting. If you vote by proxy and also attend the Annual Meeting, you do not need to vote again at the Annual Meeting unless you wish to change your vote.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised at the Annual Meeting by taking any of the following actions:

- submitting written notice of revocation to the Secretary of the Company;
- submitting another proxy with a later date; or
- voting in person at the Annual Meeting.

Quorum

In order for the business of the Annual Meeting to be conducted, a minimum number of shares constituting a quorum must be present. The holders of a majority of the issued and outstanding shares of Common Stock entitled to vote at the Annual Meeting must be present in person or represented by proxy at the Annual Meeting in order to have a quorum. Abstentions and broker non-votes are counted as shares that are present and entitled to vote for purposes of determining whether there is a quorum.

Broker Non-Votes

A broker non-vote occurs when a stockholder who holds his or her shares through a bank or brokerage firm does not instruct that bank or brokerage firm how to vote the shares, and, as a result, the broker is prevented from voting the shares held in the stockholders account on certain proposals. Broker non-votes are not counted as votes against the proposals in question or as abstentions, nor are they counted to determine the number of votes present for a particular proposal.

Under the current rules of the New York Stock Exchange, if you hold your shares through a bank or brokerage firm and your broker delivers this proxy statement to you, the broker is entitled to vote your shares on Proposals 1 and 2 even if you do not provide voting instructions to your broker.

Required Vote

Proposal 1: The board of directors recently amended the Companys Bylaws to provide for majority voting for directors in uncontested elections. Accordingly, each of the 10 nominees for director will be elected if he or she receives the majority of the votes cast with respect to that director. Abstentions will not have any effect on the election of directors.

Proposal 2: The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal 2 is required for its adoption. Abstentions on Proposal 2 will have the same effect as a vote against Proposal 2.

Recommendations of the Board of Directors

The board of directors recommends that you vote:

- FOR the election of the 10 nominees for director (Proposal 1); and

- FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2007 (Proposal 2).

PROPOSAL NO. 1:
ELECTION OF DIRECTORS

At the Annual Meeting, 10 people will be elected as members of the board of directors, each for a one-year term, and until their respective successors are duly elected and qualified or until their earlier resignation or removal. The Nominating and Governance Committee of the board of directors has nominated the 10 people listed below for election at the Annual Meeting. Each nominee is currently serving as a director of the Company.

Majority voting for directors. In September 2006, the board of directors approved an amendment to the Company's Bylaws to require each director to be elected by a majority of the votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. If a nominee who is serving as a director is not elected at the Annual Meeting, under Delaware law the director would continue to serve on the board of directors as a "holdover director." However, under the Company's Bylaws, any director who fails to be elected must offer to tender his or her resignation to the board of directors. The Nominating and Governance Committee would then make a recommendation to the board of directors whether to accept or reject the resignation, or whether other action should be taken. The board of directors will act on the Nominating and Governance Committee's recommendation and will publicly disclose its decision and, if the resignation is rejected, the rationale behind its decision within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the board of directors' decision.

The proxies given to the proxy holders will be voted or not voted as directed and, if no direction is given, will be voted FOR these 10 nominees. The board of directors knows of no reason why any of these nominees should be unable or unwilling to serve. However, if for any reason any nominee should be unable or unwilling to serve, the proxies will be voted for the election of such other person to the office of director as the board of directors may nominate in the place of such nominee. Lary Scott, a current member of the board of directors, is not seeking re-election and will be retiring from the board of directors following the Annual Meeting.

Certain information with respect to each nominee appears on the following pages, including age, period served as a director, position (if any) with the Company, business experience and directorships of other publicly-owned corporations (if any). Ages are as of July 31, 2006.

Name, Principal Occupation And Other Information	Director Since
DANIEL BOGGAN, JR. Retired Senior Vice President, the National Collegiate Athletic Association. Mr. Boggan served as a consultant to Siebert Brandford Shank & Co., LLC (a municipal finance firm) from September 2003 to March 2006. He served as senior vice president of the National Collegiate Athletic Association from 1996 through his retirement in August 2003, after having been group executive director for education services for the National Collegiate Athletic Association since November 1994. Previously, he was vice chancellor for business and administrative services at the University of California at Berkeley. Mr. Boggan is a director of Payless ShoeSource, Inc. and Viad Corp., is a trustee of The California Endowment and serves on various local boards. Age: 60.	1990
	1997

TULLY M. FRIEDMAN Chairman and Chief Executive Officer, Friedman Fleischer & Lowe LLC.

Mr. Friedman is the chairman and chief executive officer of Friedman Fleischer & Lowe LLC (a private investment firm). Prior to forming Friedman Fleischer & Lowe in 1997, Mr. Friedman was a founding partner of Hellman & Friedman (a private investment firm) and a managing director of Salomon Brothers, Inc. He is a director of CapitalSource, LLC and Mattel, Inc. He is also a member of the executive committee, a trustee and the treasurer of the American Enterprise Institute. Age: 64.

GEORGE HARAD Retired Executive Chairman of the Board, OfficeMax Incorporated (formerly known as Boise Cascade Corporation). 2006

Mr. Harad was executive chairman of the board of OfficeMax Incorporated from October 2004 until his retirement in June 2005. He served as chairman of the board and chief executive officer of Boise Cascade Corporation (Boise Cascade) from April 1995 until October 2004. From July 1994 until April 1995, he served as president and chief executive officer of Boise Cascade and from December 1991 until July 1994, he served as president and chief operating officer. From 1971 to December 1991, Mr. Harad held various positions at Boise Cascade including controller, senior vice president and chief financial officer. Prior to joining Boise Cascade, Mr. Harad was a consultant for the Boston Consulting Group and a teaching fellow at Harvard University. Age: 62.

Name, Principal Occupation And Other Information	Director Since
DONALD R. KNAUSS Chairman of the Board and Chief Executive Officer of the Company.	2006

Mr. Knauss was elected chairman and chief executive officer of the Company effective October 2, 2006. He was executive vice president of The Coca-Cola Company and president and chief operating officer of Coca-Cola North America from February 2004 until August 2006. Previously, he was president of the Retail Division of Coca-Cola North America from January 2003 through February 2004 and president and chief executive officer of The Minute Maid Company, a division of The Coca-Cola Company from January 2000 until January 2003. Prior to that, he held various positions in marketing and sales with PepsiCo, Inc. and Procter & Gamble and served as an officer in the United States Marine Corps. Age: 55.

ROBERT W. MATSCHULLAT Former Interim Chairman and Interim Chief Executive Officer of the Company. 1999

Mr. Matschullat served as interim chairman and interim chief executive officer from March 2006 through October 2, 2006. He served as presiding director of the board of directors of the Company from January 2005 through March 2006 and served as chairman of the board of the Company from January 2004 to January 2005. He was the vice chairman and chief financial officer of The Seagram Company Ltd. (a global company engaging in two business segments: entertainment and spirits and wine) from 1995 until his relinquishment of his position as chief financial officer in December 1999 and his retirement from his position as vice chairman in June 2000. Prior to joining The Seagram Company Ltd., Mr. Matschullat served as head of worldwide investment banking for Morgan Stanley & Co. Incorporated, and was one of six management members of the Morgan Stanley Group board of directors. He is a director of The Walt Disney Company and McKesson Corporation. Age: 58.

GARY G. MICHAEL Retired Chairman of the Board and Chief Executive Officer, Albertson's, Inc.	2001

Mr. Michael was the chairman of the board and chief executive officer of Albertson s, Inc. (a leading grocery retailer) from 1991 until his retirement in April 2001. He is a director of Questar Corporation, OfficeMax Incorporated, Harrah s Entertainment, Inc. and Idacorp. Age: 65.

Name, Principal Occupation And Other Information	Director Since
JAN L. MURLEY Advisor, Kohlberg Kravis Roberts & Co.	2001

Ms. Murley will serve as an advisor to Kohlberg Kravis Roberts & Co. (KKR) effective November 1, 2006. From October 2003 to July 2006, Ms. Murley was chief executive officer and a director of The Boyds Collection, Ltd. (a publicly-traded designer and manufacturer of gifts and collectibles which was majority-owned by KKR, Boyds filed for bankruptcy under Chapter 11 of the US Bankruptcy Code in October 2005 and emerged from Chapter 11 in June 2006 as a private company). Prior to that, she was group vice president marketing of Hallmark Cards, Inc. (a publisher of greeting cards and related gifts) from 1999 to 2002. Previously, Ms. Murley was employed by Procter & Gamble for over 20 years, with her last position being vice president for skin care and personal cleansing products. Age: 55.

MICHAEL E. SHANNON President, MEShannon & Associates, Inc.	2001

Mr. Shannon is president of MEShannon & Associates, Inc. (a private firm specializing in corporate finance and investment). Previously, he was the chairman of the board and chief financial and administrative officer of Ecolab, Inc. (a Fortune 500 specialty chemical company) from 1996 until his retirement in January 2000. Prior to that, Mr. Shannon held senior management positions with Ecolab, Inc., Republic Steel and Gulf Oil Corp. Mr. Shannon serves as a director of CenterPoint Energy, Inc., Apogee Enterprises and NACCO Industries, Inc. Age: 69.

PAMELA THOMAS-GRAHAM Group President, Liz Claiborne, Inc.	2005

Ms. Thomas-Graham has served as Group President of Liz Claiborne, Inc. since September 2005. From February 2005 through September 2005, she served as chairman of CNBC and from July 2001 to February 2005 served as president and chief executive officer of CNBC. From February 2001 to July 2001, she served as president and chief operating officer of CNBC and from September 1999 to February 2001, she served as an executive vice president of NBC and president and chief executive officer of CNBC.com. Prior to joining NBC, Ms. Thomas-Graham was a partner at McKinsey & Company from September 1989 to September 1999. Ms. Thomas-Graham serves as a director of Idenix Pharmaceuticals, Inc. Age: 43.

Name, Principal Occupation And Other Information	Director Since

CAROLYN M. TICKNOR Retired President, Hewlett Packard Company, Imaging & Printing Systems. 2005

Ms. Ticknor currently consults for entrepreneurs and venture capitalists. Ms. Ticknor was president of Hewlett Packard Company's Imaging and Printing Systems from 1999 until her retirement in 2001. She served as president and general manager of Hewlett Packard Company's LaserJet Solutions from 1994 to 1999. Ms. Ticknor serves as a director of Lucille Packard Children's Hospital, a private nonprofit organization at the Stanford University Medical Center. Age: 59.

ORGANIZATION OF THE BOARD OF DIRECTORS

The board of directors has established five standing committees: the Executive Committee, the Finance Committee, the Audit Committee, the Nominating and Governance Committee, and the Management Development and Compensation Committee. The Finance, Audit, Nominating and Governance, and Management Development and Compensation Committees consist only of non-management directors who the board of directors has determined are independent under the New York Stock Exchange listing standards and the board of directors' independence standards set forth in the Company's Governance Guidelines.

Executive Committee. The Executive Committee, consisting of directors Boggan, Friedman, Knauss (chair), Matschullat and Shannon, is delegated all of the powers of the board of directors except certain powers reserved by law to the full board of directors. In addition to being available to meet between regular board meetings on occasions when board action is required but the convening of the full board of directors is impracticable, the Executive Committee is authorized to handle special assignments as requested from time to time by the board of directors. The Executive Committee held no meetings during fiscal year 2006.

Finance Committee. The Finance Committee is composed of directors Boggan, Friedman (chair), Harad, Matschullat and Thomas-Graham and, working with the Company's finance and operating personnel, considers and recommends to the board of directors major financial policies and actions of the Company. The Finance Committee held two meetings during fiscal year 2006.

Audit Committee. The Audit Committee is composed of directors Matschullat (chair), Michael, Murley, Scott and Shannon, and is the principal link between the board of directors and the Company's independent registered public accounting firm. Mr. Matschullat was appointed Chair of the Audit Committee effective October 2, 2006 and did not serve on the Audit Committee while he was the interim chairman and interim chief executive officer of the Company. The Audit Committee operates in accordance with its charter and has the duties set out therein. The duties include assisting the board of directors in overseeing (a) the integrity of the Company's financial statements, (b) the independent registered public accounting firm's qualifications, independence and performance, (c) the performance of the Company's internal audit function, (d) the Company's system of disclosure controls and system of internal control over financial reporting, and (e) the Company's compliance with legal and regulatory requirements relating to accounting and financial reporting matters. The Audit Committee's duties also include preparing the report required by the Securities and Exchange Commission ("SEC") proxy rules to be included in the Company's annual proxy statement. The Audit Committee held 10 regularly scheduled meetings and one special meeting during fiscal year 2006. The charter of the Audit Committee is attached hereto as Appendix B and can also be found in the Corporate Governance section under Company Information on the Company's Web

site, *http://www.thecloroxcompany.com/company/charters.html*, and is available in print to any stockholder who requests it. The board of directors has determined that Mr. Michael is an audit committee financial expert, as defined by SEC rules.

Nominating and Governance Committee. Directors Boggan (chair), Michael, Murley and Ticknor are the members of the Nominating and Governance Committee. The Nominating and Governance Committee has the functions set forth in its charter, including identifying and recruiting individuals qualified to become board members, recommending to the board of directors individuals to be selected as director nominees for the next annual meeting of stockholders and reviewing and recommending to the board of directors changes in the Governance Guidelines applicable to the Company, including changes relating to the board of directors. The Nominating and Governance Committee held four meetings during fiscal year 2006. Its charter can be found in the Corporate Governance section under Company Information on the Company's Web site, *http://www. thecloroxcompany.com/company/charters.html*, and is available in print to any stockholder who requests it.

The Company's Governance Guidelines, which are explained below, describe the attributes that the board of directors seeks in nominees, but the board of directors has not established any specific minimum qualifications that a potential nominee must possess. The Nominating and Governance Committee considers suggestions from many sources, including stockholders, regarding possible candidates for director. Such suggestions, together with biographical and business experience information regarding the nominee, should be submitted to The Clorox Company, c/o Secretary; 1221 Broadway; Oakland, CA 94612-1888. The Nominating and Governance Committee evaluates candidates suggested by stockholders in the same manner as other candidates.

During fiscal year 2006, the Nominating and Governance Committee retained a third-party search firm, Spencer Stuart, to assist it in identifying potential director candidates. All nominees for election as directors currently serve on the board of directors.

Management Development and Compensation Committee. The Management Development and Compensation Committee consists of directors Friedman, Harad, Scott, Shannon (chair) and Ticknor. The Management Development and Compensation Committee establishes and monitors the policies under which compensation is paid or awarded to the Company's executive officers, determines executive compensation, grants stock options, restricted stock, performance units and other cash or stock awards under the Company's executive incentive compensation and stock incentive plans, and reviews pension and other retirement plans. In addition, the Management Development and Compensation Committee oversees the Company's management development and succession planning processes. The Management Development and Compensation Committee held six meetings during fiscal year 2006. The charter of the Management Development and Compensation Committee can be found in the Corporate Governance section under Company Information on the Company's Web site, *http://www. thecloroxcompany.com/company/charters.html*, and is available in print to any stockholder who requests it.

CEO Search Committee. In May 2006, following the health-related retirement of Gerald E. Johnston from his positions as chairman and chief executive officer, the board of directors formed a CEO Search Committee and retained executive search firm Spencer Stuart to conduct a search for a new chief executive officer. The CEO Search Committee consisted of directors Friedman, Harad, Matschullat (chair), Michael and Shannon. The duties of the CEO Search Committee concluded in August 2006 following the announcement that Donald R. Knauss had been named as the Company's chairman and chief executive officer, to be effective October 2, 2006.

Board Committee and Meeting Attendance

The board of directors held six regularly scheduled meetings and four special meetings during fiscal year 2006. All current directors attended at least 75% of the meetings of the board of directors and committees of which they were members during fiscal year 2006.

8

Annual Meeting Attendance

The policy of the Company is that all board members are expected to attend the annual meeting of stockholders. Each member of the board of directors as of November 16, 2005, the date of the Company's 2005 annual meeting of stockholders, attended such annual meeting.

The Clorox Company Governance Guidelines and Director Independence

The board of directors has adopted Governance Guidelines, which can be found in the Corporate Governance section under Company Information on the Company's Web site, *http://www.thecloroxcompany.com/company/governance_guidelines.html*, is attached hereto as Appendix C and is available in print to any stockholder who requests it.

The Governance Guidelines set forth its principles concerning overall governance practices. The Governance Guidelines include independence standards. The board of directors has determined that each director is independent under the New York Stock Exchange listing standards and the independence standards set forth in its Governance Guidelines except Mr. Knauss as a result of his service as the Company's chief executive officer.

Code of Conduct

The Company has adopted a Code of Conduct, which can be found in the Governance section under Company Information on the Company's Web site, *http://www.thecloroxcompany.com/company/code_of_conduct.html* and is available in print to any stockholder who requests it. The Code of Conduct applies to all of the Company's employees, contractors and non-employee directors.

Presiding Director and Executive Sessions

The Company's presiding director is Mr. Michael. The duties of the Presiding Director are set forth in the Company's Governance Guidelines. They include coordinating the activities of the independent directors and serving as a liaison between the chairman and the independent directors. In addition, the presiding director: (1) assists the board of directors and the Company's officers in promoting compliance with and implementation of the Governance Guidelines; (2) moderates the executive sessions of the independent directors and has the authority to call additional executive sessions as appropriate; (3) presides at meetings of the board of directors in the chairman's absence; (4) oversees information sent to the board of directors; (5) consults with the chairman on meeting agendas and schedules for the board of directors; (6) is available for consultation and communication with major stockholders as appropriate; and (7) evaluates, along with the members of the Management Development and Compensation Committee, the performance of the chief executive officer. The independent directors generally meet at each regularly scheduled board meeting without the presence of management directors or employees of the Company to discuss various matters related to the oversight of the Company, the management of board affairs and the chief executive officer's performance.

Director Compensation

Effective October 1, 2006, non-management directors receive annual retainers for service on the board of directors and board committees as follows:

Annual director retainer	$75,000
Presiding director retainer	25,000
Committee chair retainers:	
Nominating and Governance Committee	10,000
Finance Committee	10,000
Audit Committee	20,000
Management Development and Compensation Committee	20,000

9

Under the Company's Independent Directors' Deferred Compensation Plan, a director may annually elect to receive all or a portion of his or her annual retainer and fees in the form of cash, Common Stock, deferred cash or deferred stock units. In addition, each non-management director receives an annual grant of deferred stock units with a value of $100,000 that is not available for distribution to the director while serving on the board of directors. Interest accrues on deferred cash amounts at an annual interest rate equal to Wells Fargo Bank, N.A.'s prime lending rate in effect on January 1 of each year. Each deferred stock unit represents a hypothetical share of Common Stock, and additional deferred stock units are allocated to a participant's deferred stock unit account in amounts equivalent to Common Stock dividends paid by the Company. Upon termination of service as a director, the amounts accrued for the account of the director under the Independent Directors' Deferred Compensation Plan are paid out at the director's election in five annual installments or in one lump sum payment.

In addition, each non-management director is entitled to receive $2,500 per day for any special assignment requested of any such director by the board of directors. Members of the CEO Search Committee received a fee of $2,500 per day for each full day or full day equivalent spent on CEO Search Committee matters, except for Mr. Matschullat who received no additional compensation for his service on the CEO Search Committee.

During fiscal year 2006, new non-management directors received a one-time grant of an option to purchase 8,000 shares of Common Stock upon joining the board of directors. Ms. Thomas-Graham received an option to purchase 8,000 shares of Common Stock at an exercise price of $57.00 upon joining the board of directors on September 21, 2005, and Mr. Harad received an option to purchase 8,000 shares of Common Stock at an exercise price of $58.72 per share upon joining the board of directors on January 9, 2006. Effective October 1, 2006, no further stock option grants will be made to directors under this program.

Other than the compensation described above, directors who are not employees of the Company do not receive any additional form of direct compensation, nor do they participate in any of the Company's employee benefit plans, except the Company's higher education matching gifts program, under which the Company will match up to $5,000 annually in gifts to an eligible institution of higher learning. Management directors do not receive compensation under the directors' compensation program for their service as directors.

Stock Ownership Guidelines. The board of directors believes that the alignment of directors' interests with those of stockholders is strengthened when board members are also stockholders. The board of directors therefore requires that directors, within three years of being first elected, own Common Stock having a market value of at least two times their annual retainer. In addition, deferred stock units acquired by each director are accumulated on each director's behalf until they no longer serve on the board of directors. This program ensures that directors acquire a meaningful and significant ownership interest in the Company during their tenure on the board of directors.

10

BENEFICIAL OWNERSHIP OF VOTING SECURITIES

The following table shows, as of July 31, 2006, the holdings of Common Stock by (i) any entity or person known to the Company to be the beneficial owner of more than 5% of the Common Stock, (ii) each director and nominee for director and each of the six individuals named in the Summary Compensation Table on page 19 (the "Named Officers"), and (iii) all directors and current executive officers of the Company as a group:

Name of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Class (3)
AXA (4)	19,823,951	13.1%
25, avenue Marignon		
75008 Paris, France		
Barclays Global Investors, N.A. (5)	12,199,479	8.1%
45 Fremont St., 17th Flr		
San Francisco, CA 94105		
Lord, Abbett & Co. LLC (6)	7,856,291	5.2%
90 Hudson Street		
Jersey City, NJ 07302		
Daniel Boggan, Jr.	17,446	*
Tully M. Friedman	55,500	*
George J. Harad	1,000	*
Daniel J. Heinrich	138,714	*
Gerald E. Johnston (7)	910,278	*
Donald R. Knauss (8)	0	*
Robert W. Matschullat	22,648	*
Gary G. Michael	11,025	*
Jan L. Murley	20,564	*
Lawrence S. Peiros	285,684	*
Lary R. Scott (9)	21,080	*
Michael E. Shannon	19,000	*
Laura Stein	26,833	*

Frank A. Tataseo	204,932	*
Pamela Thomas-Graham	0	*
Carolyn M. Ticknor	4,000	*
All directors and current executive officers as a group (18 persons) (10)	1,104,225	*

* Does not exceed 1% of the outstanding shares.

(1) Correspondence to all executive officers and directors of the Company may be mailed to The Clorox Company, c/o Secretary; 1221 Broadway; Oakland, CA 94612-1888.

(2) Unless otherwise indicated, each beneficial owner listed has sole voting and dispositive power (or shares such power) concerning the shares indicated. These totals include the following number of shares of Common Stock which such persons have the right to acquire through stock options exercisable within 60 days of July 31, 2006: Mr. Boggan — 16,000; Mr. Friedman — 24,000; Mr. Heinrich — 118,854; Mr. Johnston — 714,725; Mr. Matschullat — 20,000; Mr. Michael — 6,000; Ms. Murley — 16,000; Mr. Peiros — 232,951; Mr. Scott — 14,000; Mr. Shannon — 16,000; Ms. Stein — 13,550; Mr. Tataseo —154,952; Ms. Ticknor — 4,000; and all current directors and executive officers as a group — 868,723. The numbers in the table above do not include the following numbers of shares of Common Stock which the executive officers have the right to acquire upon the termination of their service as employees pursuant to deferred stock units granted in December 1995 in exchange for the cancellation of certain restricted stock, and deferred stock

unit dividends thereon: Mr. Johnston — 18,465; Mr. Peiros — 12,595; Mr. Tataseo — 13,530; and all current executive officers as a group — 26,125. The numbers in the table above do not include the following number of shares of Common Stock which the executive officers have the right to acquire upon the termination of their service as employees pursuant to deferred dividends earned on restricted stock units received in July 2003, reinvested by the terms of the restricted stock unit award agreement: Mr. Johnston — 4,783; and all current executive officers as a group — none. The numbers in the table above do not include the following numbers of shares of Common Stock which the non-management directors have the right to acquire upon the termination of their service as directors pursuant to deferred stock units granted under the Independent Directors’ Stock-Based Compensation Plan: Mr. Boggan — 13,273; Mr. Friedman — 15,298; Mr. Harad — 597; Mr. Matschullat — 19,796; Mr. Michael — 2,475; Ms. Murley — 3,098; Mr. Scott — 20,042; Mr. Shannon — 5,097; Ms. Thomas-Graham — 1,357; and Ms. Ticknor — 3,244. The numbers in the table above do not include the following numbers of shares of Common Stock which the executive officers have the right to acquire upon the termination of their service as employees pursuant to vested performance units granted in September 2002 that were deferred at the executive officers’ election: Mr. Heinrich — 4,500; Mr. Johnston — 30,000; Mr. Tataseo — 7,500; and all current executive officers as a group — 16,435.

(3) On July 31, 2006, there were 151,450,653 shares of Common Stock outstanding.

(4) Based on information received by the Company, AXA indicated that it has sole dispositive power over 19,813,292 shares and shared voting power over 10,659 shares as of July 31, 2006.

(5) Based on information contained in a report on Form 13F that Barclays Global Investors, N.A. and various related entities filed with the SEC, which contained information as of June 30, 2006, with respect to shares as to which the reporting person has investment direction.

(6) Based on information contained in a report on Form 13F that Lord, Abbett & Co. LLC filed with the SEC, which contained information as of June 30, 2006, with respect to shares as to which the reporting person has investment direction.

(7) Mr. Johnston retired from his positions as chairman and chief executive officer on May 1, 2006, and retired from the board of directors on July 19, 2006.

(8) Mr. Knauss was elected chairman and chief executive officer effective October 2, 2006.

(9) Mr. Scott will not be standing for re-election to the board of directors at the Annual Meeting.

(10) Pursuant to Rule 3b-7 under the Securities Exchange Act of 1934, executive officers include the Company's current chief executive officer and all current group vice presidents and senior vice presidents.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets out the number of shares of Common Stock to be issued upon exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities available for future issuance under equity compensation plans as of June 30, 2006.

	[a]	**[b]**	**[c]**
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (in thousands)**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining for future issuance under non-qualified stock-based compensation programs (excluding securities reflected in column (a)) (in thousands)**
Equity compensation plans approved by security holders	10,490	$45.00	7,363
Equity compensation			

plans not approved by security holders	—	—	—
Total	10,490	$45.00	7,363

AUDIT COMMITTEE REPORT

The Audit Committee assists the board of directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company. The Audit Committee operates in accordance with a written charter, which was adopted by the board of directors. A copy of that charter is available on the Internet at *http://www.thecloroxcompany.com/company/charters.htm*l and is available in print to any stockholder who requests it. Each member of the Audit Committee is “independent,” as required by the applicable listing standards of the New York Stock Exchange and the rules of the SEC.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the Company’s independent registered public accounting firm. The Audit Committee oversees the Company’s financial reporting process on behalf of the board of directors. The Company’s management has primary responsibility for the financial statements and reporting process, including the Company’s internal control over financial reporting. The independent registered public accounting firm is responsible for performing an integrated audit of the Company’s financial statements and internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2006. This review included a discussion of the quality and the acceptability of the Company’s financial reporting and control, including the clarity of disclosures in the financial statements. The Audit Committee also reviewed and discussed the audited financial statements of the Company for the fiscal year ended June 30, 2006 with the Company’s independent registered public accounting firm, their judgments as to the quality and acceptability of the Company’s financial reporting, and such other matters as are required to be discussed by Statement on Auditing Standards No. 61, as amended, “Communication with Audit Committees.”

The Audit Committee obtained from the independent registered public accounting firm a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors’ independence, consistent with Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” and discussed with the auditors any relationship that may impact their objectivity and independence. The Audit Committee meets periodically with the independent registered public accounting firm,

with and without management present, to discuss the results of the independent registered public accounting firm’s examinations and evaluations of the Company’s internal control and the overall quality of the Company’s financial reporting.

Based upon the review and discussions referred to above, the Audit Committee recommended to the board of directors that the Company’s audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2006, for filing with the SEC.

Gary Michael, Chair	Michael E. Shannon
Jan L. Murley	Lary R. Scott

(Members of the Audit Committee as of June 30, 2006)

The table below includes fees billed or expected to be billed by the Company’s independent registered public accounting firm, Ernst & Young LLP, in fiscal years 2006 and 2005:

	2006	2005
Audit fees (1)	$3,844,000	$3,985,000
Audit-related fees (2)	296,000	552,400
Tax fees (3)	66,000	176,600
All other fees (4)	—	—
Total	$4,206,000	$4,714,000

---

(1) Consists of fees for professional services rendered for the audit of the Company's annual financial statements for each of the fiscal years ended June 30, 2006 and June 30, 2005, and for review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for each of those fiscal years. For fiscal years 2006 and 2005, the amounts also include $1,140,000 and $1,385,000, respectively, of fees billed for the internal control audit required by Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Consists of fees for assurance and related services reasonably related to the performance of the audit or review of the Company's financial statements for each of the fiscal years ended June 30, 2006 and June 30, 2005, and not included in the Audit Fees listed above. These services included audits of the Company's employee benefit plans.

(3) Consists of fees for tax compliance, tax advice and tax planning for each of the fiscal years ended June 30, 2006 and June 30, 2005. These services included tax return preparation and review services for foreign subsidiaries and affiliates and consultation on tax matters.

(4) Consists of fees for all other services not included in the three categories set forth above for each of the fiscal years ended June 30, 2006 and June 30, 2005. There were no such services in either of these fiscal years.

The Audit Committee has established a policy to require that it approve all services provided by its independent registered public accounting firm before services are provided. The Audit Committee has pre-approved the engagement of the independent registered public accounting firm for audit services, and certain specified audit-related services and tax services within defined limits. The Audit Committee has not pre-approved engagement of the independent registered public accounting firm for any other non-audit services.

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

MEMBERSHIP AND RESPONSIBILITIES. The Management Development and Compensation Committee, referred to in this report as the Committee, is composed entirely of independent directors as determined by the board of directors in accordance with the listing standards of the New York Stock Exchange. None of the Committee members has ever been an employee of the Company.

We are responsible for overseeing the Company's compensation policies and programs for the chief executive officer and executive officers of the Company. As part of our obligation to carry out our responsibilities, we select and regularly meet with an independent compensation consultant who reports to us and provides advice to us on matters of executive compensation. During fiscal year 2006, the independent consultant attended all regularly scheduled meetings of the Committee, in person or telephonically. We have access to and review independent compensation data relating to executive compensation at other companies. We report on a regular basis to the board of directors regarding our activities. If you would like to review the Committee's charter, please visit *www.thecloroxcompany.com* and refer to the Company Charter section under Corporate Governance.

COMPENSATION OBJECTIVES

We design our compensation policies and programs to accomplish the following:

- Attract and retain qualified candidates for executive positions;
- Motivate each executive toward the achievement of the Company's short- and long-term goals, as reflected in its strategic business plans;
- Provide competitive compensation opportunities based on performance and results of the individual and the Company;
- Ensure that a significant proportion of each executive's total compensation be incentive compensation that is at-risk in order to emphasize the relationship between pay and performance by both the Company and the individual through his or her contributions to the Company's results; and
- Align the interests of executives with those of stockholders through the use of equity-based incentive awards.

The Committee's independent consultant conducts an ongoing review of the Company's existing executive compensation programs to help us ensure that the programs support the future direction of the Company and the principles on which executive compensation is based.

EXECUTIVE OFFICERS' COMPENSATION SUMMARY. The key components of the executive compensation program are base annual salary, annual short-term incentive awards in the form of stock or cash under the Company's Executive Incentive Compensation Plan (the "EIC Plan") and long-term incentive awards in the form of stock options and performance awards under the Company's 2005 Stock Incentive Plan.

We annually review executive compensation against a compensation comparator group, as described under the Annual Base Salary section below. We determine compensation guidelines based upon competitive data collected from the compensation comparator group by our independent compensation consultant and an internal performance assessment of the executive officer group. Targeted competitive levels for base annual salary and annual short-term incentive awards are generally at the 50th percentile of the compensation comparator group. Targeted competitive levels for long-term compensation are also generally at the 50th percentile. Actual incentive plan payouts are intended to vary around the compensation comparator group median, above or below, to reflect the Company's stock performance and operating results against the goals set forth in each plan. Executive officers may earn more than the targeted levels if the Company's performance exceeds the goals established for the award and less when performance falls below the established levels.

ANNUAL BASE SALARY. We determine annual base salaries for executive officers using the following criteria: (1) the individual's performance; (2) any promotions resulting in increases in responsibility; (3) parity to market; and (4) equity in relationship to other executive positions within the Company.

To determine parity to market, we consider the competitiveness of the compensation package of the Company's executive officers compared to a compensation comparator group.

Surveys are conducted of benchmark positions in the compensation comparator group, consisting of similar-sized branded consumer products companies, most of which compete with the Company in one or more of its primary businesses or compete with the Company for management talent. We annually review the composition of the compensation comparator group to ensure that it is relevant and to make appropriate adjustments.

For fiscal year 2006, the compensation comparator group was:

Alberto Culver	The Gillette Company *
Avon	Hershey Foods Corporation
Bausch & Lomb	H.J. Heinz Company
Black & Decker	Kellogg Company
Campbell Soup Company	Newell-Rubbermaid Incorporated

Church & Dwight Company

Colgate Palmolive Company

Del Monte Foods

General Mills

Revlon, Inc

S.C. Johnson & Son

WM Wrigley Jr. Company

---

* No longer part of compensation comparator group as a result of its sale.

For fiscal year 2006, we established salaries for executive officers that were generally at the 50th percentile or median level of the compensation comparator group benchmark positions based upon factors including the executive officer’s time in position, performance as judged by his or her immediate superior and the chief executive officer, and parity to market. On an annual basis, we determine the chief executive officer’s salary and performance in consultation with the full board of directors. Taking into consideration recommendations by the chief executive officer, we determine the salary and performance of the Company’s other executive officers.

SHORT-TERM COMPENSATION. Executive officers are eligible for short-term compensation under the EIC Plan. It is our practice to make payments under the EIC Plan that reward executive officers for superior performance, to make smaller payments if the Company achieves financial performance levels that exceed the threshold level of required performance but do not satisfy the target levels, and not to make payments if the Company does not achieve the threshold minimum corporate financial performance levels established by us at the beginning of the fiscal year.

Payments for the executive officers under the EIC Plan for fiscal year 2006 were based upon achievement of corporate financial performance measured against targets for earnings per share from continuing operations, net sales growth and working capital as a percent of sales. The EIC plan has a maximum award limit of 0.6 percent of earnings before income taxes for executive officers other than the chief executive officer and 1.0 percent of earnings before income taxes for the chief executive officer if the goals are met. We have discretion to reduce, but not to increase, payments computed in accordance with these criteria based on an assessment of performance against the financial performance measures described above and strategic performance measures that support the key elements of the Company’s strategy: consumer, customer, cost, people and process and other key individual objectives. Payments for the executive officers under the EIC Plan for fiscal year 2006 were based upon the corporate financial performance measures and the strategic performance measures.

As of June 30, 2006, the Company had eight executive officers, consisting of Robert W. Matschullat, interim chairman of the board and interim chief executive officer; Lawrence S. Peiros, group vice president; Frank A. Tataseo, group vice president; Beth Springer, group vice president; Laura Stein, senior vice president – general counsel and secretary; Daniel J. Heinrich, senior vice president – chief financial officer; Jacqueline P. Kane, senior vice president – human resources and corporate affairs; and Warwick Every-Burns, senior vice president - international. Gerald E. Johnston, former chairman of the board and chief executive officer, retired from his positions as chairman and chief executive officer on May 1, 2006.

The target total short-term compensation award for the executive officers other than Messrs. Johnston and Matschullat ranged from 65 percent to 75 percent of base annual salary at June 30, 2006, if the objectives were met. The target for Mr. Johnston was set at 120 percent. Mr. Matschullat did not receive an award under the EIC Plan during fiscal year 2006 although he received a discretionary payment during fiscal year 2007 as described more fully below.

For fiscal year 2006, we determined all EIC Plan awards for executive officers other than the former chief executive officer taking into account recommendations we received from the interim chief executive officer and other information available to the Committee. Based on performance against the targeted corporate financial and strategic measures, awards for the executive committee members (excluding the former chief executive officer) ranged from 69% to 90% of base salary.

LONG-TERM COMPENSATION. A key objective of ours is to create strong alignment between the executive officers and stockholders. We believe this alignment is achieved in part through the use of stock-based incentive plans and through actual stock ownership. The Company□s long-term incentive awards to executive officers consist of annual stock option grants and multi-year performance awards, denominated in either stock or cash. Together these awards focus the executive team on and reward them for stock price appreciation and achievement of multi-year operating objectives. It is the Committee□s goal to achieve total shareholder returns and long-term operating results that are superior to those of many other leading consumer products companies.

In fiscal year 2006, target long-term incentive guidelines were established to be generally competitive with the median of the compensation comparator group. Executive officers received both stock options and performance units. The vesting of the performance units is based on achievement of cumulative operating profit and the Company□s average return on invested capital over a three (3)-year period. The number of units underlying individual target awards were adjusted from target guidelines to reflect each executive officer□s job responsibility, impact and performance. Like the EIC Plan awards, payouts under the performance unit program will vary around target based on whether the Company underperforms or outperforms target goals.

STOCK OWNERSHIP GUIDELINES. To foster a vital long-term partnership between management and stockholders, the Committee expects executive officers to acquire significant equity ownership. We approved new target ownership guidelines for fiscal year 2006 that are more aggressive than in previous years. The guidelines have two components:

1. Ownership levels

   The minimum ownership levels are the equivalent of four times base annual salary for the chief executive officer and three times base annual salary for the other executive officers.

2. Retention ratios

   Executive officers are expected to retain a certain percentage of shares that are obtained upon the exercise of options or the release of restrictions on equity-based awards, after satisfying any applicable tax withholding. The chief executive officer is expected to retain 75% of shares acquired until the minimum ownership level is met and then is expected to retain 50% of shares acquired until retirement or termination. Other executive officers are expected to retain 75% of shares acquired until minimum ownership levels are met and thereafter are expected to retain 25% of shares acquired for one year after receipt.

Ownership levels are based on shares of Common Stock actually owned by the executive or held pursuant to Company plans. No stock options are counted in determining ownership levels and shares that have not vested due to time or performance restraints are also excluded from the ownership guidelines. All executive officers are currently on track to achieve target ownership levels over time.

BENEFITS. The Company provides various employee benefit programs to its executive officers, including medical, disability, life insurance benefits and retirement benefits, an employee stock purchase plan and The Clorox Company 401(k) Plan. These benefit programs are generally available to all employees of the Company except for the Supplemental Executive Retirement Plan described on page 25, which is designed to provide certain additional retirement benefits to select executives, the Nonqualified Deferred Compensation Plan described on page 25, which is designed to enable managers to defer the receipt of taxable compensation until retirement or termination and certain benefits provided to executive officers, including an auto allowance, financial planning and miscellaneous perquisites. A Nonqualified Deferred Compensation Plan for the interim chief executive officer similar to the Nonqualified Deferred Compensation Plan for managers was established in fiscal year 2006. Amounts deferred under the plan for the interim chief executive officer reflect the voluntary election to defer amounts that would otherwise have been paid to him in cash.

CHIEF EXECUTIVE OFFICER COMPENSATION. During fiscal year 2006, we increased Mr. Johnston's annual base salary from $1,000,000 to $1,050,000 (effective January 1, 2006) and his potential incentive bonus from 110% to 120% of annual base salary (effective October 1, 2005). We took into consideration the Company's recent performance, Mr. Johnston's contributions, the Company's overall pay objectives, and competitive market data in determining the amount of Mr. Johnston's salary and annual incentive target increase. On March 2, 2006, Mr. Johnston went on medical leave from the Company. Effective May 1, 2006, Mr. Johnston retired from his positions as chief executive officer and chairman of the board.

Mr. Johnston's short-term compensation award for fiscal year 2006 was based upon achievement of corporate financial performance measured against targets for earnings per share from continuing operations, net sales growth and working capital as a percentage of sales. Mr. Johnston's award was also based on an assessment of his performance against strategic performance measures that support the key elements of the Company strategy: financial, consumer, customer, cost, people and process capabilities. Based on performance results against these measures and objectives, Mr. Joh