

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

FORM 10-K

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

for the fiscal year ended June 30, 2016
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 Number)

1221 Broadway, Oakland, California 94612-1888

(Address of principal executive offices) (ZIP code)

(510) 271-7000

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock—\$1.00 par value	New York Stock Exchange

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

None

(Title of class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . No .

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates as of December 31, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$16.4 billion.

As of July 29, 2016, there were 129,469,454 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2016 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days after June 30, 2016, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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PART I

This Annual Report on Form 10-K for the fiscal year ended June 30, 2016 (this Report), including the exhibits hereto and the information incorporated by reference herein, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and such forward-looking statements involve risks and uncertainties. Except for historical information, statements about future volume, sales, foreign currencies, costs, cost savings, margin, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, cash flows, plans, objectives, expectations, growth or profitability, are forward-looking statements based on management’s estimates, assumptions and projections. Words such as “could,” “may,” “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “predicts” and variations on such words, and similar expressions that reflect our current views with respect to future events and operational and financial performance, are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed below. Important factors that could affect performance and cause results to differ materially from management’s expectations are described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report, as updated from time to time in the Company’s U.S. Securities and Exchange Commission (SEC) filings.

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

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

ITEM 1. BUSINESS

Overview of Business

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with fiscal year 2016 net sales of \$5.8 billion and approximately 8,000 employees worldwide as of June 30, 2016. Clorox sells its products primarily through grocery and mass retail outlets, e-commerce channels, wholesale distributors and medical supply distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products, Pine-Sol[®] cleaners, Liquid-Plumr[®] clog removers, Poett[®] home care products, Fresh Step[®] cat litter, Glad[®] bags, wraps and container products, Kingsford[®] charcoal, Renew Life[®] digestive health products, Hidden Valley[®] dressings and sauces, Brita[®] water-filtration products, and Burt’s Bees[®] natural personal care products. The Company also markets brands through professional services channels, including infection control products for the healthcare industry under Clorox Healthcare[®] and Clorox Commercial Solutions[®]. More than 80% of the Company’s sales are generated from brands that hold the No. 1 or No. 2 market share positions in their categories. The Company was founded in Oakland, California in 1913 and is incorporated in Delaware.

The Company’s 2020 strategy focuses on delivering long-term, profitable growth and total shareholder return. The Company’s long-term financial goals include annual net sales growth of 3-5%, annual EBIT margin growth of 25-50 basis points and annual free cash flow of 10-12% of net sales.

On May 2, 2016, the Company acquired 100 percent of the digestive health company Renew Life for \$290 million. The purchase of the Renew Life business aligns with the Company’s acquisition strategy to target leading brands with attractive margins in high-growth categories, particularly in health and wellness. Results for Renew Life’s domestic business are reflected in the Household reportable segment and results for Renew Life’s international business are reflected in the International reportable segment. Included in the Company’s results for fiscal year 2016 was \$21 million of Renew Life’s global net sales.

In fiscal year 2016, the Company delivered strong results including 2% net sales growth and an 8% increase in diluted earnings per share (EPS) from continuing operations, despite a highly competitive environment in the U.S. and a difficult macro-environment, including unfavorable foreign exchange rates and challenging economies in International markets.

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The Company focused on driving sales growth in its U.S. business, leveraging incremental demand building investments and innovation, to drive category growth and market share improvements. In particular, the Company launched new products in many categories in fiscal year 2016, including the Brita[®] Infinity pitcher, Burt's Bees[®] lipsticks, Clorox Healthcare[®] nasal antiseptic swabs, Clorox Healthcare[®] Optimum-UV Enlight, Fresh Step[®] with Febreze[™], Glad[®] DualDefense[™] trash bags, Hidden Valley[®] Greek yogurt dressing.

In international markets, the Company focused on a number of measures to address economic challenges experienced in fiscal year 2016. Significant currency declines across the majority of countries and high inflation in several markets were partially offset by price increases and cost savings initiatives. Despite these challenges, the Company's international business continued to play an important strategic role, with No. 1 and No. 2 brands in multiple countries and strong growth of the Burt's Bees[®] brand internationally.

In fiscal year 2016, the Company repurchased approximately 2 million shares of its common stock for \$254 million, paid \$398 million in dividends to stockholders and announced a 4% increase in its quarterly dividend from prior year, payable in August 2016.

Finally, the Company continued its commitment to corporate responsibility by maintaining strong and transparent environmental, social and governance practices. The Company remained committed to lowering water and energy use, solid waste to landfill and greenhouse gas emissions as part of its 2020 operational footprint reduction goals. The Company was recognized as one of the top corporate citizens by Corporate Responsibility magazine and named as one of the greenest companies in the 2016 Newsweek Green Rankings. In fiscal year 2016, together The Clorox Company Foundation and The Burt's Bees Greater Good Foundation awarded approximately \$5 million in cash grants, and the Company made product donations with a fair market value of approximately \$8 million and contributed more than \$1 million to deserving nonprofits through cause marketing programs for social and charitable causes.

In fiscal year 2017, Clorox anticipates ongoing challenges that may impact its sales and margins, including unfavorable foreign currency exchange rates, particularly in Argentina, and a continuation of challenging international economies. In addition, the Company is monitoring anticipated slower U.S. category growth, driven primarily by expected competitive activity and changes to commodity costs and manufacturing and logistics costs.

For additional information on recent business developments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1, incorporated herein by reference.

Financial Information About Operating Segments and Principal Products

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

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox[®] brand and Clorox 2[®] stain fighter and color booster; home care products, primarily under the Clorox[®], Formula 409[®], Liquid-Plumr[®], Pine-Sol[®], S.O.S[®] and Tilex[®] brands; naturally derived products under the Green Works[®] brand; and professional cleaning and disinfecting products under the Clorox[®], Dispatch[®], Aplicare[®], HealthLink[®] and Clorox Healthcare[®] brands.
- *Household* consists of charcoal, cat litter, digestive health products and bags, wraps and container products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford[®] and Match Light[®] brands; cat litter products under the Fresh Step[®], Scoop Away[®] and Ever Clean[®] brands; digestive health products under the Renew Life[®] brand; and bags, wraps and containers under the Glad[®] brand.
- *Lifestyle* consists of food products, water-filtration systems and filters and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®], KC Masterpiece[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; and natural personal care products under the Burt's Bees[®] brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, digestive health products, charcoal and cat litter products, dressings and sauces, bags, wraps and containers and natural personal care products, primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Bril[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], Renew Life[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®] and Burt's Bees[®] brands.

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Three of the Company's product lines have accounted for 10% or more of consolidated net sales during each of the past three fiscal years. In fiscal years 2016, 2015 and 2014, sales of liquid bleach represented approximately 13%, 14% and 13% of the Company's consolidated net sales, respectively, approximately 25%, 26%, and 26% of net sales in the Cleaning segment for each such year, respectively, and approximately 27%, 27% and 28% of net sales in the International segment, respectively. Sales of trash bags represented approximately 13%, 14% and 13% of the Company's consolidated net sales in each of the fiscal years 2016, 2015 and 2014, respectively, and approximately 37%, 38% and 36% of net sales in the Household segment, respectively, for each such year. Sales of charcoal represented approximately 11% of the Company's consolidated net sales and approximately 34% of net sales in the Household segment in fiscal years 2016, 2015 and 2014.

Information about the results of each of the Company's reportable segments for the last three fiscal years and total assets as of the end of the last three fiscal years, reconciled to the consolidated amounts, is set forth below. Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. For additional information, refer to the information set forth under the caption "Segment Results from Continuing Operations" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Exhibit 99.1.

(Dollars in millions)	Fiscal Year	Cleaning	Household	Lifestyle	International	Corporate	Total Company
Net Sales	2016	\$ 1,912	\$ 1,862	\$ 990	\$ 997	\$ -	\$ 5,761
	2015	1,824	1,794	950	1,087	-	5,655
	2014	1,776	1,709	936	1,093	-	5,514
Earnings (losses) from continuing operations before Income taxes	2016	511	428	251	66	(273)	983
	2015	445	375	257	79	(235)	921
	2014	428	326	258	99	(227)	884
Total assets	2016	883	1,092	880	1,057	606	4,518
	2015	876	725	860	1,057	646	4,164

Principal Markets and Methods of Distribution

In the United States, most of the Company's products are nationally advertised and sold to mass retail-outlets, warehouse clubs, and dollar, military and other types of retail stores primarily through a direct sales force, and to grocery stores and grocery wholesalers primarily through a combination of direct sales teams and a network of brokers. The Company sells institutional, janitorial, and food-service versions of many of its products through distributors using a network of brokers, and sells healthcare products through a direct sales force and medical supply distributors. Outside the United States, the Company sells products to the retail trade through subsidiaries, licensees, distributors and joint-venture arrangements with local partners. Additionally, the Company sells many of its products through online retailers.

Financial Information About Foreign and Domestic Operations

For detailed financial information about the Company's foreign and domestic operations, including net sales and property, plant and equipment, net, by geographic area, see the Notes to Consolidated Financial Statements in Exhibit 99.1.

Sources and Availability of Raw Materials

The Company purchases raw materials from numerous unaffiliated domestic and international suppliers, some of which are sole-source or single-source suppliers. Interruptions in the delivery of these materials could adversely impact the Company. Key raw materials used by the Company include resin, diesel, sodium hypochlorite, corrugated cardboard and agricultural commodities. Sufficient raw materials were available during fiscal year 2016. Costs for resin and diesel decreased in fiscal year 2016. However, costs for many materials continued to increase amid volatility and inflation in some key geographic and commodity markets, which the Company expects to continue in fiscal year 2017. The Company generally utilizes supply and forward-purchase contracts to help ensure availability and help manage the volatility of the pricing of raw materials needed in its operations. However, the Company is nonetheless highly exposed to changes in the prices of commodities used as raw materials in the manufacturing of its products. For further information regarding the impact of changes in commodity prices, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1 and "Risk Factors – Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services have harmed, and in the future may harm, the Company's net earnings and cash flow" in Item 1.A.

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Patents and Trademarks

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

Seasonality

Most sales of the Company's charcoal products occur in the first six months of each calendar year. A moderate seasonality trend also occurs in the net sales of the Company's Burt's Bees[®] natural personal care products, with slightly more than half of the annual net sales occurring during the months of October through March. Short-term borrowings may be used to fund inventories of those products in the off season.

Customers

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 27%, 26% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2016, 2015 and 2014, respectively, and occurred in each of the Company's reportable segments. No other customers accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2016, 2015 and 2014, the Company's five largest customers accounted for 46%, 45%, and 45% of its consolidated net sales for each of the three fiscal years, respectively.

Competition

The markets for consumer products are highly competitive. The Company's products compete with other nationally advertised brands and with "private label" brands within each category. Competition comes from similar and alternative products, some of which are produced and marketed by major multinational or national companies having financial resources greater than those of the Company. The Company's products generally compete on the basis of product performance, brand recognition, and price. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising support. If a product gains consumer acceptance, it typically requires continued advertising and promotional support and ongoing product improvements to maintain its relative market position. For further information regarding the intense competition the Company faces, see "Risk Factors – The Company faces intense competition in its markets, which could lead to reduced net sales, net earnings and cash flow" in Item 1.A.

Research and Development

The Company conducts research and development primarily at its facility located in Pleasanton, CA, which the Company has leased since 2011. The Pleasanton facility consists of approximately 357,000 square feet of leased space, utilizing state-of-the-art labs and open work spaces to encourage creativity, collaboration and innovation. In addition to the leased facility in Pleasanton, CA, the Company conducts research and development activities in Meriden, CT; Willowbrook, IL; Durham, NC; Cincinnati, OH; and Buenos Aires, Argentina.

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The Company devotes significant resources and attention to product development, process technology and consumer insight research to develop commercially viable consumer-preferred products with innovative and distinctive features. The Company incurred expenses of \$141 million, \$136 million and \$125 million in fiscal years 2016, 2015 and 2014, respectively, on direct research activities relating to the development of new products and/or the improvement of existing products. In addition, the Company obtains technologies from third parties for use in its products. Royalties relating to such technologies are reflected in the Company's Cost of products sold. For further information regarding the Company's research and development costs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

Environmental Matters

For information regarding noncapital expenditures related to environmental matters, see the discussions below under "Risk Factors – Environmental matters create potential liabilities that could adversely affect the Company's results of operations or financial condition" in Item 1.A. No material capital expenditures relating to environmental compliance are presently anticipated.

Number of Persons Employed

As of June 30, 2016, the Company employed approximately 8,000 people.

Available Information

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

ITEM 1.A. RISK FACTORS

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

The Company faces intense competition in its markets, which could lead to reduced net sales, net earnings and cash flow.

The Company faces intense competition from consumer product companies both in the United States and in its international markets. Most of the Company's products compete with other widely advertised brands within each product category. The Company also faces competition from retailers, including club stores, grocery, dollar stores, mass merchandisers and internet-based retailers, which are increasingly offering "private label" brands that are typically sold at lower prices and compete with the Company's products in certain categories. During times of economic uncertainty, consumers tend to purchase more "private label" or other economy brands. Increased purchases of "private label" products could reduce net sales of the Company's higher-margin products or there could be a shift in product mix to lower-margin offerings.

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The Company's products generally compete on the basis of product performance, brand recognition, and price. Advertising, promotion, merchandising and packaging also have significant impacts on consumer purchasing decisions, and the Company is increasingly using digital media marketing and promotional programs to reach consumers. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it typically requires continued advertising, promotional support and product improvements to maintain its relative market position. If the Company's advertising, marketing and promotional programs, including its use of digital media to reach consumers, are not effective or adequate, the Company's net sales may be negatively impacted.

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

Uncertain worldwide, regional and local economic conditions and financial market volatility may negatively impact the Company and consumers of its products, which would negatively affect the Company's financial performance and liquidity.

Although the Company continues to devote significant resources to support its brands, uncertain economic conditions may continue to negatively affect consumer demand for the Company's products. Consumers may also be sensitive to economic uncertainty or unfavorable economic conditions and reduce discretionary spending, which may lead to reduced net sales or cause a shift in the Company's product mix from higher-margin to lower-margin products. Consumers may increase purchases of lower-priced or "private label" products, and the Company's competitors may increase levels of advertising and promotional activity for lower-priced products as they seek to maintain sales volumes during uncertain economic times, which may negatively impact the Company's net sales.

Global markets continued to experience significant disruptions during fiscal year 2016, and continuing volatility could continue to harm the Company's business. In addition, financial market volatility could adversely affect the Company's liquidity and capital resources. Uncertain economic conditions and financial market volatility may also adversely affect the financial condition of the Company's customers, suppliers and other business partners. If customers' financial conditions are severely affected, customers may reduce their purchases of the Company's products or the Company may not be able to collect accounts receivable, each of which could have a material adverse impact on the Company's business operations or financial results.

Sales growth objectives may be difficult to achieve, and price increases, market and category declines and changes to the Company's product and geographic mix may adversely impact the Company's financial results.

A large percentage of the Company's revenues comes from mature markets that are subject to high levels of competition. During fiscal year 2016, approximately 83% of the Company's net sales were generated in U.S. markets. The Company's ability to achieve sales growth depends on its ability to drive growth through innovation, expansion into new product categories, channels and countries, investment in its established brands and enhanced merchandising and its ability to capture market share from competitors. If the Company is unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that grow its product categories and/or develop, acquire or successfully launch new products or brands, it may not achieve its sales growth objectives. Even when the Company is successful in increasing market share within particular product categories, a decline in the markets for such product categories has had and can continue to have a negative impact on the Company's financial results.

In addition, changes to the mix of products the Company sells, as well as the mix of countries in which its products are sold, can adversely impact the Company's net sales, profitability and cash flow. The Company's financial outlook assumes a certain volume and product mix, and if actual results vary from this projected volume and product mix, the Company's business operations and financial results could be negatively affected.

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Volatility and increases in the costs of raw materials, energy, transportation, labor and other necessary supplies or services have harmed, and in the future may harm, the Company's net earnings and cash flow.

Volatility and increases in the costs of raw materials, including resin, sodium hypochlorite, linerboard, soybean oil, solvent, corrugated cardboard and other chemicals and agricultural commodities, or increases in the cost of energy, transportation, labor and other necessary supplies or services have harmed, and in the future may harm, the Company's profits and operating results. We distribute our products and receive raw materials primarily by rail and truck. Reduced availability of rail or trucking could cause us to incur unanticipated expenses and impair our ability to distribute our products or receive our raw materials in a timely manner.

The Company believes commodity and other cost increases are possible in the future. If such increases occur or exceed the Company's estimates and the Company is not able to increase the prices of its products or achieve cost savings to offset such cost increases, its profits and operating results will be harmed. In addition, if the Company increases the prices of its products in response to increases in the cost of commodities, and commodity costs decline, the Company may not be able to sustain its price increases. Sustained price increases may lead to declines in volume as competitors may not adjust their prices or customers may decide not to pay the higher prices, which could lead to sales declines and loss of market share. While the Company seeks to project tradeoffs between price increases and volume, its projections may not accurately predict the volume impact of price increases, which could adversely affect its financial condition and results of operations.

To reduce the cost volatility associated with anticipated commodity purchases, the Company uses derivative instruments, including commodity futures and swaps. The extent of the Company's derivative position at any given time depends on the Company's assessment of the markets for these commodities, the cost volatility in the markets and the cost of the derivative instruments. Many of the commodities used by the Company in its products do not have actively traded derivative instruments. If the Company does not or is unable to take a derivative position and costs subsequently increase, or if it institutes a position and costs subsequently decrease, the Company's costs may be greater than anticipated or higher than its competitors' costs and the Company's financial results could be adversely affected. For further information regarding the Company's use of derivative instruments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

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

A limited number of customers account for a large percentage of the Company's net sales. Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 27%, 26% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2016, 2015 and 2014, respectively, and occurred in each of the Company's reportable segments. No other individual customer accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2016, 2015 and 2014, the Company's five largest customers accounted for 46%, 45%, and 45% of its consolidated net sales for each of the three fiscal years, respectively. The Company expects that a significant portion of its revenues will continue to be derived from a small number of customers. As a result, changes in the strategies of the Company's largest customers, including a reduction in the number of brands they carry or a shift of shelf space to "private label" or competitors' products, may harm the Company's net sales and reduce the ability of the Company to offer new innovative and improved products to consumers. In addition, any loss of a key customer or a significant reduction in net sales to a key customer, even if such loss or reduction relates to a key customer of a business unit of the Company, could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company does not effectively respond to the demands of its customers, they could decrease their purchases from the Company, causing the Company's net sales and net earnings to decline. Furthermore, unfavorable market conditions or competitive pressures may cause the Company's customers to reevaluate the number and mix of brands they sell, resulting in lower purchases of the Company's products by these customers.

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The Company continues to see retailer consolidation both in the United States and internationally. This trend has resulted in the increased size and influence of large consolidated retailers, who have in the past changed, and may in the future change, their business strategies, demand lower pricing or special packaging or impose other burdensome requirements on product suppliers. These business demands may relate to inventory practices, logistics, a shift in focus away from branded products toward “private label” or other aspects of the customer-supplier relationship. These large consolidated companies could also exert additional competitive pressure on the Company’s other customers, which could in turn lead to such customers demanding lower pricing or special packaging or imposing other onerous requirements on the Company. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease due to customer inventory reductions or otherwise, the Company’s business, financial condition and results of operations may be harmed.

Cyber-attacks, privacy breaches, data breaches or a failure of key information technology systems could adversely impact the Company’s ability to conduct business.

The Company relies extensively on information technology systems, many of which are managed by third-party service providers, in order to conduct its business. These systems include, but are not limited to, programs and processes relating to communicating within the Company and with customers, consumers and other parties, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal and tax requirements and implementing other processes involved in managing the business. Although the Company has made progress with its implementation of enterprise-wide upgrades to its hardware, software and operating systems, legacy systems still remain. If the Company’s existing and/or future technology systems, third-party service providers and processes do not adequately support the future growth of the Company’s business, the Company’s business may be adversely impacted.

Although the Company has network security measures in place, the systems may be vulnerable to computer viruses or other malicious codes, security breaches and other disruptions from unauthorized users or system failures, including Internet outages. While the Company has business continuity plans in place, if the systems are damaged or cease to function properly due to any number of causes, including catastrophic events, power outages, security breaches or other similar events, and if the business continuity plans do not effectively resolve such issues on a timely basis, the Company may suffer interruptions in its ability to manage or conduct business, which may adversely impact the Company’s business. Furthermore, the Company sells its Burt’s Bees[®] natural personal care products, Renew Life[®] digestive health products and other products directly to consumers online, provides websites, mobile apps and connected devices, and offers promotions, rebates, customer loyalty and other programs through which it may receive personal information, and it or its vendors could experience cyber-attacks, privacy breaches, data breaches or other incidents that result in unauthorized disclosure of consumer, customer, employee or Company information. In August 2015, the federal government brought an indictment against brokers and hackers for stealing advanced, nonpublic press releases of various public companies from news wires and trading on securities using the information from such press releases. If the Company suffers a loss as a result of a breach or other breakdown in its technology, including such cyber-attack, privacy breaches, data breaches or other incident involving one of the Company’s vendors, that result in unauthorized disclosure or significant unavailability of business, financial, personal or stakeholder information, the Company may suffer reputational, competitive and/or business harm and may be exposed to legal liability, which may adversely affect the Company’s results of operations and/or financial condition. In addition, if the Company’s service providers, suppliers or customers experience such a breach or unauthorized disclosure or system failure, their businesses could be disrupted or otherwise negatively affected, which may result in a disruption in the Company’s supply chain or reduced customer orders, which would adversely affect the Company’s business operations.

Government regulations could impose material costs.

Generally, the manufacture, packaging, labeling, storage, distribution and advertising of the Company’s products and the conduct of its business operations must all comply with extensive federal, state and foreign laws and regulations. For example, in the United States, many of the Company’s products are regulated by the Environmental Protection Agency, the Food and Drug Administration and the Consumer Product Safety Commission, and the Company’s product claims and advertising are regulated by the Federal Trade Commission, among other regulatory agencies. Most states have agencies that regulate in parallel to these federal agencies. The Company’s international operations are also subject to regulation in each of the foreign jurisdictions in which it manufactures or distributes its products. There is also a risk of potentially higher incidence of fraud or corruption in certain foreign jurisdictions and related difficulties in maintaining effective internal controls. Additionally, the Company could be subject to inquiries or investigations by governmental and other regulatory bodies. Any determination that the Company’s operations or activities are not in compliance with applicable law could expose the Company to significant fines, penalties or other sanctions that may harm the business and reputation of the Company.

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In particular, because of the Company's extensive international operations, we could be adversely affected by violations of the Foreign Corrupt Practices Act and similar worldwide anti-bribery laws. The Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business. While our policies mandate compliance with these anti-bribery laws, we cannot provide assurance that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees, joint-venture partners or agents. Violations of these laws, or allegations of such violations, could disrupt our business and adversely affect our reputation and our business, results of operations, cash flows and financial condition.

It is expected that federal, state and foreign governments will continue to introduce new and expanded legislation affecting the Company's operations, which may require the Company to increase its resources, capabilities and expertise in such areas. For example, the Company is subject to regulations regarding the transportation, storage or use of certain chemicals to protect the environment, including as a result of evolving climate change standards, and new and increased regulation in other areas, such as with respect to "conflict minerals." Such regulation could negatively impact the Company's ability to obtain raw materials or could increase its acquisition and compliance costs. In addition, pending legislative initiatives and adopted legislation in the areas of healthcare reform and other areas, such as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Foreign Account Tax Compliance Act and legislation in the area of taxation of domestic and foreign profits, executive compensation and corporate governance, could also increase the Company's costs. These risks may be increased by the Company's recent acquisition of Renew Life, which manufactures products subject to additional regulations.

If the Company is found to be noncompliant with applicable laws and regulations in these or other areas, it could be subject to civil remedies, including fines, import detentions, injunctions, product withdrawals or recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on its business. Loss of or failure to obtain necessary permits and registrations, particularly with respect to its charcoal business, could delay or prevent the Company from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. As the Company expands its natural personal care and healthcare businesses such as through Burt's Bees[®], HealthLink[®], Aplicare[®] and Caltech Industries, an increasing number of its products have and will become subject to regulations and laws relating to drugs and medical devices. In addition, as the Company enters the digestive health space through its acquisition of Renew Life[®], its products are subject to regulations relating to dietary supplements. In order to comply with these laws and regulations, the Company may be required to make changes to product formulation, labeling or marketing claims, perform additional testing to substantiate its product claims, make costly changes in its manufacturing processes or supply chain or stop selling certain products until corrective actions have been taken.

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The Company is subject to risks related to its international operations.

In fiscal year 2016, approximately 17% of the Company's net sales were generated in international markets, including approximately 3% of the Company's net sales in Argentina. The Company faces and will continue to face substantial risks associated with its foreign operations, including the following:

- economic or political instability, particularly in Argentina;
- price controls and related government actions;
- foreign currency fluctuations, currency controls and inflation, particularly in Argentina, which may adversely affect the Company's ability to do business in certain markets and reduce the U.S. dollar value of revenues, profits or cash flows it generates in non-U.S. markets;
- difficulty in obtaining non-local currency (e.g., U.S. dollars) to pay for the raw materials needed to manufacture the Company's products and contract-manufactured products;
- restrictions on or costs related to the repatriation of foreign profits to the United States, including possible taxes or withholding obligations on any repatriations;
- the imposition of tariffs, trade restrictions, import and export laws or other government actions generating a negative impact on the Company's business;
- difficulties in hiring and retaining qualified employees;
- civil unrest, work stoppages and labor disputes;
- employment litigation related to employees, contractors and suppliers, particularly in Argentina;
- difficulties in obtaining or unavailability of raw materials;
- potential loss of distribution channels as a result of retailer consolidation;
- increased credit risk of customers, suppliers and distributors;
- potential harm to third parties, the Company's employees and/or surrounding communities, and related liabilities and damages to the Company's reputation, from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach, whether such actions are undertaken by the Company or by the Company's business partners;
- difficulties in enforcing intellectual property and contractual rights;
- lack of well-established or reliable, and impartial legal systems in certain countries where the Company operates;
- challenges relating to enforcement of or compliance with local laws and regulations and with U.S. laws affecting operations outside of the United States, including without limitation, the Foreign Corrupt Practices Act;
- the possibility of nationalization, expropriation of assets or other similar government actions; and
- risks related to the Company's discontinued operations in Venezuela.

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

In addition, the Company is exposed to foreign currency exchange rate risks with respect to its net sales, net earnings and cash flow driven by movements of the U.S. dollar relative to other currencies. A weakening of the currencies in which sales are generated relative to the currencies in which costs are denominated would decrease net earnings and cash flow. Although the Company uses instruments to hedge certain foreign currency risks, these hedges only offset a small portion of the Company's exposure to foreign currency fluctuations and, therefore, the Company's reported net earnings may be negatively affected by changes in foreign exchange rates.

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Inflation is another risk associated with the Company's international operations. For example, Argentina could in the future be designated as a highly inflationary economy. Gains and losses resulting from the remeasurement of non-U.S. dollar monetary assets and liabilities of subsidiaries operating in highly inflationary economies are recorded in net earnings. Other countries in which the Company operates may also become highly inflationary or such countries' currencies may be devalued, or both, which may negatively impact the Company's business operations and financial results.

For further information regarding Argentina, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99.1.

Acquisitions, new venture investments and divestitures may not be successful, which could impact the Company's business operations and financial results.

In connection with the Company's strategy, the Company expects to continue to seek acquisition opportunities, such as the recent acquisition of Renew Life, which competes in the digestive health category. However, the Company may not be able to identify and successfully negotiate suitable strategic acquisitions at attractive prices. In addition, all acquisitions and investments entail numerous risks, including risks relating to the Company's ability to:

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

Acquired companies or operations or joint ventures may not be profitable or may not achieve sales levels and profitability and cash flow expectations. Future acquisitions or ventures could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, including litigation, an increase in expenses related to certain assets and increased operating expenses, all of which could adversely affect the Company's results of operations and financial condition. Future acquisitions of foreign companies or new foreign ventures would subject the Company to local regulations and could potentially lead to risks related to, among other things, increased exposure to foreign exchange rate changes, government price control, repatriation of profits and liabilities relating to the Foreign Corrupt Practices Act. In addition, to the extent that the economic benefits associated with any of the Company's acquisitions diminish in the future, the Company may be required to record impairment charges related to goodwill, intangible assets or other assets associated with such acquisitions, which could adversely affect its operating results and/or net earnings per share.

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

In addition, any potential future acquisitions, new ventures or divestitures may divert the attention of management and resources from matters that are core or critical to the Company's business.

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The Company may not successfully develop and introduce new products and line extensions or successfully expand into adjacent categories and countries, which could adversely impact its financial results.

The Company's future performance and growth depends on innovation and its ability to successfully develop or license capabilities to introduce new products, brands, line extensions and product improvements or enter into or expand into adjacent product categories, sales channels or countries. The Company cannot be certain that it will successfully achieve its innovation goals. The development and introduction of new products require substantial and effective research and development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. In addition, effective and integrated systems are required for the Company to gather and use consumer data and information to successfully market its products. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, which could result in the Company not being first to market and the failure of new products, brands and line extensions to achieve anticipated levels of market acceptance. If product introductions or new or expanded adjacencies are not successful, costs associated with these efforts may not be fully recouped and the Company's net earnings could be adversely affected. In addition, if sales generated by new products cause a decline in sales of the Company's existing products, the Company's financial condition and results of operations could be materially adversely affected.

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

The Company relies on a limited number of suppliers for certain commodities and raw material inputs, including sole-source and single-source suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. New suppliers have to be qualified under Company standards and may also have to be qualified under governmental and industry standards, which can require additional investment and time. The Company could experience disruptions in production and its financial results and relationships with customers could be adversely affected if the Company is unable to qualify any needed new suppliers or maintain supplier arrangements and relationships, if it is unable to contract with suppliers at the quantity, quality and price levels needed for its business or if any of the Company's key suppliers becomes insolvent, experiences financial distress or environmental, economic or other outside factors impact its operations.

Product liability, commercial claims or other legal proceedings could adversely affect the Company's net sales and operating results, including cash flow.

The Company has in the past paid, and may be required in the future to pay, for losses or injuries purportedly caused by its products. Such claims may be based on allegations that, among other things, the Company's products contain contaminants or provide inadequate instructions or warnings regarding their use, have defective packaging, fail to perform as advertised, or damage property or persons. Product liability claims could result in negative publicity that could harm the Company's reputation, sales and operating results. In addition, if any of the Company's products is found to be defective, the Company may recall it, which could result in adverse publicity and significant expenses. In July 2016, the Company voluntarily recalled three of the Liquid-Plumr[®] products, which recall affects products manufactured prior to March 22, 2016. Although the Company maintains product liability insurance coverage, potential product liability claims may be subject to a retention, exceed the amount of insurance coverage or be excluded under the terms of the policies.

In addition, the Company is, and may in the future become, the subject of, or party to, various pending or threatened legal actions, government investigations and proceedings from time to time, including advertising disputes with competitors, consumer class actions, including those related to advertising claims, labor claims, breach of contract claims, antitrust litigation, securities litigation, premises liability claims and litigation in foreign jurisdictions. In general, claims made by or against the Company in litigation, investigations, disputes or other proceedings have been and can in the future be expensive and time-consuming to bring or defend against and could result in settlements, injunctions or damages that could significantly affect its business or financial results or condition. It is not possible to predict the final resolution of the litigation, investigations, disputes or proceedings with which the Company currently is or may in the future become involved. The impact of these matters on the Company's business, results of operations and financial condition could be material. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these matters.

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Profitability and cash flow could suffer if the Company is unable to successfully implement its strategies, generate anticipated cost savings and efficiencies or efficiently manage supply chain and manufacturing processes.

The Company continues to implement plans to improve its competitive position by setting aggressive annual cost savings targets, and it expects ongoing cost savings from its continuous improvement activities. The Company anticipates these continuing cost savings will result from reducing material costs and manufacturing inefficiencies and realizing productivity gains, distribution efficiencies and overhead reductions. If the Company cannot successfully implement its cost savings plans or the cost of making these changes increases, the Company may not realize all anticipated benefits, which could adversely affect its financial results or its long-term strategies, such as the 2020 Strategy, which includes financial goals such as annual net sales growth of 3-5%, annual EBIT margin growth between 25-50 basis points and annual free cash flow as a percentage of net sales of about 10-12%. The Company also continues to seek to penetrate new markets and introduce new products and product improvements. These goals and strategies may not be implemented or may fail to achieve desired results, and the Company may fail to achieve one or more of the financial goals for one or more of the relevant fiscal years. In addition, the Company expects to continue to restructure its operations as necessary to improve operational efficiency, including occasionally closing facilities or plants. Gaining additional efficiencies may become increasingly difficult over time, there may be one-time costs relating to facility closures or other restructurings and anticipated cost savings and the Company's strategies may not be implemented or may fail to achieve desired results. If the Company is unable to implement its strategies or if its strategies do not achieve the intended effects, if it does not realize cost savings and other efficiencies or if it is unable to efficiently manage its supply chain and manufacturing processes, the Company's financial results could suffer. These plans and strategies could also have a negative impact on the Company's relationships with employees or customers, which could also adversely affect the Company's financial results.

Loss of, or inability to attract, key personnel could adversely impact the Company's business.

The Company's success depends, in part, on its ability to retain its key personnel, including its executive officers and senior management team. The unexpected loss of one or more of the Company's key employees could disrupt its business. The Company's success also depends, in part, on its continuing ability to identify, hire, train and retain other highly qualified personnel. Competition for these employees can be intense, especially in the San Francisco Bay Area, where the Company's headquarters and largest research facility are located. As the Company expands into new categories or markets, including more regulated businesses, it will also require personnel with relevant training and experience in such categories or markets. The Company may not be able to attract, assimilate or retain qualified personnel in the future, and its failure to do so could adversely affect its business.

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

Maintaining a strong reputation with consumers, customers and trade partners is critical to the success of the Company's business. The Company devotes significant time and resources to programs designed to protect and preserve the Company's reputation and the reputation of its brands. These programs include ethics and compliance, sustainability and product safety and quality initiatives. Despite these efforts, negative publicity about the Company, including product safety, quality, efficacy or similar concerns, whether real or perceived, could occur, and the Company's products could face withdrawal, recall or other quality issues. The Company also licenses certain of its brands to third parties, which creates additional exposure for those brands to product safety, quality and other concerns. In addition, widespread use of social media and networking sites by consumers has greatly increased the speed and accessibility of information dissemination. Negative publicity, posts or comments on social media or network sites about the Company or its brands, whether accurate or inaccurate, or disclosure of non-public sensitive information about the Company, could be widely disseminated through the use of social media. Such events, if they were to occur, could harm the Company's image and adversely affect its business, as well as require resources to rebuild the Company's reputation.

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Environmental matters create potential liabilities that could adversely affect the Company's results of operations or financial condition.

The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to air emissions, water discharges, handling and disposal of solid and hazardous wastes, remediation of contamination associated with the use and disposal of hazardous substances and climate change. The Company has incurred, and will continue to incur, significant expenditures and other costs in complying with environmental laws and regulations and in providing physical security for its worldwide operations, and such expenditures reduce the cash flow available to the Company for other purposes.

The Company is currently involved in or has potential liability with respect to the remediation of past contamination in the operation of some of its current and former facilities. In addition, some of its present and former facilities have or had been in operation for many years and, over that time, some of those facilities may have used substances or generated and disposed of wastes that are or may be considered hazardous. It is possible that those sites, as well as disposal sites owned by third parties to whom the Company has sent waste, may be identified and become the subject of remediation. The Company could also become subject to additional environmental liabilities in the future that could result in a material adverse effect on its results of operations or financial condition.

The Company had a recorded liability of \$14 million and \$12 million as of June 30, 2016 and 2015, respectively, for its share of aggregate future remediation costs related to certain environmental matters, including response actions at various locations. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounts for a substantial majority of the recorded liability as of both June 30, 2016 and 2015. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements in Exhibit 99.1 for additional information related to these liabilities.

The Company also handles and/or transports hazardous substances, including but not limited to chlorine, at some of its international plant sites. A release of such chemicals, whether in transit or at the Company's facilities, due to accident or an intentional act, could result in substantial liability and business disruptions.

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

Operations at facilities of the Company, its suppliers, service providers and retail customers are subject to disruption for a variety of reasons, including work stoppages, demonstrations, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters. The Company's corporate headquarters and primary research and development facility are located near major earthquake fault lines in California. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers or suspension of operations. Any such disruption could have a material adverse impact on the Company's business.

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

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

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

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, directly or indirectly, through the use of third-party marks, ideas or technologies, such a finding could result in the need to cease use of such trademark, trade secret, copyrighted work or patented invention in the Company's business and the obligation to pay for past infringement. If holders are willing to permit the Company to continue to use such intellectual property rights, they could require a payment of a substantial amount for continued use of those rights. Either ceasing use or paying such amounts could cause the Company to become less competitive and could have a material adverse impact on the Company's business, operating results and financial condition.

Even if the Company is not found to infringe a third party's intellectual property rights, claims of infringement could adversely affect the Company's business. For example, if the Company seeks proposals from multiple vendors for a new product or innovation and chooses to partner with a particular vendor, another vendor may claim the Company infringed its intellectual property rights by using information gathered from the vendor proposals. The Company could incur material legal costs and related expenses to defend against such claims and the Company could incur significant costs associated with discontinuing to use, provide or manufacture certain products, services or trademarks even if it is ultimately found not to have infringed such rights.

An increase in the value of the Company's Glad[®] business would result in an increase in the Company's purchase obligation for The Procter & Gamble Company's, P&G's, 20% interest in that business, which may adversely affect the Company's net earnings and cash flow. Additionally, it is uncertain whether the Company's net earnings and cash flow would be adversely affected more by an extension or a termination of the agreement related to the Glad[®] business.

In January 2003, the Company entered into a venture agreement with P&G related to the Company's Glad[®] bags, wraps and containers business. In connection with this agreement, P&G provides research and development support to the Glad[®] business. The agreement with P&G will expire in January 2023 unless the parties decide, on or prior to January 2018, to extend the term of the agreement for another 10 years.

Unless extended, the agreement will require the Company to purchase P&G's 20% interest in January 2023 for cash at fair value. As of June 30, 2016, the estimated fair value of P&G's interest was \$448 million, of which \$302 million has been recognized by the Company and is reflected in Other liabilities in the Company's June 30, 2016 Consolidated Balance Sheet. The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold on a straight line basis over the remaining life of the agreement. The estimated fair value of P&G's interest increased significantly in 2016 and may continue to change up until any such purchase by the Company of P&G's interest. Any additional significant increases in the fair value of such interest may adversely affect the Company's net earnings and cash flow.

If the Company and P&G decide not to extend the term of the agreement, this decision may harm the terms on which the Company has access to innovation from P&G. Alternatively, if the Company and P&G decide to extend the term of the agreement, there can be no assurance that any future innovation will result. In either case, net earnings and cash flow may be negatively impacted. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 10 to the Consolidated Financial Statements in Exhibit 99.1.

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The Company's substantial indebtedness could adversely affect its business operations and financial results and prevent the Company from fulfilling its obligations, and the Company may incur substantially more debt in the future, which could exacerbate these risks.

As of June 30, 2016, the Company had over \$2 billion of debt. The Company's substantial indebtedness could have important consequences. For example, it could:

- require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of its cash flow to fund working capital requirements, capital expenditures, future acquisitions and other general corporate purposes;
- limit the Company's flexibility in planning for or reacting to general adverse economic conditions or changes in its business and the industries in which it operates;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in the Company's debt documents, its ability to borrow additional funds.

Additionally, failure by the Company to comply with the financial and other restrictive covenants in its debt documents could result in an event of default that, if not cured or waived, could have a significant adverse effect on the Company. Further, certain terms of the agreements governing the Company's over-the-counter derivative instruments contain provisions that require the Company's credit ratings, as assigned by Standard & Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. As of June 30, 2016, the Company and each of its counterparties had been assigned investment-grade ratings with both Standard & Poor's and Moody's. However, if the Company's credit rating were to fall below investment grade, the counterparties to the derivative instruments in net liability positions could request full collateralization.

The Company may incur substantial additional indebtedness in the future to fund acquisitions, repurchase shares or fund other activities for general business purposes, subject to compliance with the Company's existing restrictive debt covenants. As of June 30, 2016, the Company could add approximately \$2 billion in incremental debt and remain in compliance with restrictive debt covenants, although the actual amount that the Company may be able to borrow in the future may not equal this amount. If new debt is added to the current debt levels, the related risks that the Company now faces could intensify. In addition, the cost of incurring additional debt could increase due to possible downgrades in the Company's credit rating, economic conditions or otherwise. In this regard, failure to maintain the Company's credit ratings could adversely affect the interest rate in future financings, liquidity, competitive position and access to capital markets.

The Company is subject to risks related to its discontinued operations in Venezuela.

On September 22, 2014, the Company's Venezuela subsidiary announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the production facilities of the Company's Venezuela subsidiary. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business formerly operated by the Company's Venezuela subsidiary, thereby reaffirming the government's expropriation of its assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at the Venezuela plants. The Venezuelan government's actions raise grave concerns, as the production of cleaning products, in particular bleach, is a highly specialized and technical process. Any restarting of operations in Venezuela is or would be without the consent or involvement of the Company and its affiliates, and any resumed production processes would be outside the Company's control. The Company has advised repeatedly that it and its affiliates cannot be responsible for the safety of any workers and the surrounding communities or for the safety, quality or effectiveness of any product that may be produced under the Venezuelan government's takeover or any use of the names and trademarks of the Company and its affiliates. Nevertheless, the Company may face liabilities or costs associated with any such unauthorized resumption of operations by the Venezuelan government or others.

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The Company may not continue to pay dividends or repurchase its stock.

Although the Company has historically declared and paid quarterly cash dividends on its common stock and has been authorized to repurchase its shares subject to certain limitations under its share repurchase programs, any determinations by the board of directors to continue to declare and pay cash dividends on the Company's common stock or to repurchase the Company's common stock will be based primarily upon the Company's financial condition, results of operations and business requirements, the price of its common stock in the case of the repurchase program and the board of directors' continuing determination that the repurchase programs and the declaration and payment of dividends are in the best interests of the Company's stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. The Company's ability to continue to declare and pay cash dividends will depend upon, among other things, its cash balances and future cash requirements, results of operations, financial condition and net earnings, all of which are subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Company's control. In the event the Company does not declare and pay a quarterly dividend or discontinues its share repurchases, the Company's stock price could be adversely affected.

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

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

The Company's judgments regarding the accounting for tax positions and the resolution of tax disputes may impact the Company's net earnings and cash flow.

Significant judgment is required to determine the Company's effective tax rate and evaluate its tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement criteria prescribed by applicable accounting standards. Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may impact the Company's effective tax rate and the Company's financial results. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Unfavorable resolution of any tax matter could increase the effective tax rate, which would have an adverse effect on the Company's operating results. Any resolution of a tax issue may require the use of cash in the year of resolution. For additional information, see the information set forth in the Notes to Consolidated Financial Statements in Exhibit 99.1.

The estimates and assumptions on which the Company's financial projections are based may prove to be inaccurate, which may cause its actual results to materially differ from such projections, which may adversely affect the Company's future profitability, cash flows and stock price.

The Company's financial projections are dependent on certain estimates and assumptions related to, among other things, category growth, market share projections, product pricing, foreign exchange rates, commodity prices, cost savings, accruals for estimated liabilities, including litigation reserves, goodwill, measurement of benefit obligations for pension and other postretirement benefit plans and the Company's ability to generate sufficient cash flow to reinvest in its existing business, fund internal growth, repurchase its shares, make acquisitions, pay dividends and meet debt obligations. While the Company's financial projections are based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances and at the time they are made, the Company's actual results may differ materially from its financial projections. Any material variation between the Company's financial projections and its actual results may adversely affect the Company's future profitability, cash flows and stock price.

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The Company's business could be negatively impacted as a result of stockholder activism or an unsolicited takeover proposal or a proxy contest.

In recent years, proxy contests and other forms of stockholder activism have been directed against numerous public companies, including the Company. During fiscal years 2012 and 2011, the Company was the target of an unsolicited takeover proposal from a stockholder activist, which resulted in significant costs to the Company. If such a proposal were to be made again, the Company would incur significant costs, which would have an adverse effect on the Company's financial results. Stockholder activists may also seek to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt the Company's business and divert the attention of the Company's management and employees, and any perceived uncertainties as to the Company's future direction resulting from such a situation could result in the loss of potential business opportunities, the perception that the Company needs a change in the direction of its business, or the perception that the Company is unstable or lacks continuity, which may be exploited by our competitors, cause concern to our current or potential customers, and may make it more difficult for the Company to attract and retain qualified personnel and business partners, which could adversely affect the Company's business. In addition, actions of activist stockholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Production and Distribution Facilities

The Company owns or leases and operates 23 manufacturing facilities in North America and owns or leases and operates 13 manufacturing facilities outside North America. The Company also leases 6 regional distribution centers in North America and several other warehouse facilities in the U.S. and international markets. Management believes the Company's owned and leased production and distribution facilities are adequate to support the business efficiently, and that the Company's properties and equipment have generally been well maintained. The Company is continually performing a supply-chain efficiency analysis, which may lead to closures of domestic and international manufacturing facilities and the redistribution of production between its remaining facilities and contract manufacturers to optimize availability and capacity and to seek to reduce operating costs.

Offices and Research and Development Facilities

Since 2011, the Company has leased a facility located in Pleasanton, CA, which houses the Company's research and development group as well as other administrative and operational support personnel. The facility features state-of-the-art labs and open work spaces to encourage creativity, collaboration and innovation. The Company leases office space in Oakland, CA for its corporate headquarters. The Company owns a research and development facility located at its plant in Buenos Aires, Argentina. The Company also conducts research and development activities and engineering research in leased facilities in Meriden, CT; Willowbrook, IL; Cincinnati, OH; and Durham, NC. Leased sales offices and other facilities are located at a number of other locations.

Encumbrances

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

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ITEM 3. LEGAL PROCEEDINGS

The Company is subject to routine litigation incidental to its business in the United States and in international locations, including various lawsuits and claims relating to issues such as contract disputes, product liability, patents and trademarks, advertising, commercial, administrative, employment antitrust, securities, consumer class actions and other matters. Although the results of claims and litigation cannot be predicted with certainty, based on management's analysis, it is the opinion of management that the ultimate disposition of these matters, to the extent not previously provided for or disclosed in the Company's consolidated financial statements in Exhibit 99.1, will not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, year first elected and current titles of each of the executive officers of the Company as of August 15, 2016, are set forth below:

Name	Age	Year First Elected Executive Officer	Title
Benno Dorer	52	2009	Chairman and Chief Executive Officer
James Foster	53	2009	Executive Vice President – Product Supply, Enterprise Performance and IT
Stephen M. Robb	51	2011	Executive Vice President – Chief Financial Officer
Laura Stein	54	2005	Executive Vice President – General Counsel and Corporate Affairs
Nikolaos Vlahos	48	2013	Executive Vice President – Chief Operating Officer, Household, Lifestyle and Core Global Functions
Dawn Willoughby	47	2013	Executive Vice President – Chief Operating Officer, Cleaning, International and Corporate Strategy
William S. Bailey	50	2016	Senior Vice President – Corporate Business Development
Jon Balousek	47	2013	Senior Vice President – General Manager, Specialty Division
Michael R. Costello	50	2011	Senior Vice President – International
Denise Garner	53	2015	Senior Vice President – Chief Innovation Officer
Matthew Laszlo	46	2015	Senior Vice President – Chief Customer Officer
Kirsten Marriner	43	2016	Senior Vice President – Chief People Officer
Linda Rendle	38	2016	Senior Vice President – Cleaning Division
Eric Reynolds	46	2015	Senior Vice President – Chief Marketing Officer
Manjit Singh	47	2016	Senior Vice President – Chief Information Officer

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

Benno Dorer is the chairman and chief executive officer of the Company, a position he has held since August 2016. Prior to this role, he served as chief executive officer of the Company from November 2014 until August 2016. From January 2013 until November 2014, he served as executive vice president – chief operating officer, cleaning, international and corporate strategy. From March 2011 to December 2012, he served as senior vice president – cleaning division and Canada. He served as senior vice president – general manager, cleaning division from June 2009 to March 2011.

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James Foster is the executive vice president – product supply, enterprise performance and IT of the Company, a position he has held since November 2014. Prior to this role, he served as senior vice president – chief product supply officer from June 2009 to November 2014.

Stephen M. Robb is the executive vice president – chief financial officer of the Company, a position he has held since November 2014. Prior to this role, he served as senior vice president – chief financial officer from November 2011 to November 2014. From January 2011 until November 2011, he served as vice president – global finance. He served as vice president – financial planning & analysis from October 2004 to January 2011.

Laura Stein is the executive vice president – general counsel and corporate affairs of the Company, a position she has held since February 2016. Prior to this role, she served as executive vice president – general counsel from February 2015 to February 2016. She served as senior vice president – general counsel from January 2005 to February 2015.

Nikolaos Vlahos is the executive vice president – chief operating officer, household, lifestyle, and core global functions of the Company, a position he has held since September 2014. Prior to this role, he served as senior vice president – chief customer officer from March 2013 to September 2014. From March 2011 to February 2013, he served as vice president – general manager, Burt's Bees[®]. He served as vice president – general manager, laundry, Brita[®] and Green Works[®], from March 2009 to February 2011.

Dawn Willoughby is the executive vice president – chief operating officer, cleaning, international and corporate strategy of the Company, having taken on responsibility for corporate strategy in August 2016; and cleaning and international in September 2014 and for professional products in November 2014. Prior to this role, she served as senior vice president – general manager, cleaning division from January 2013 to September 2014. She served as vice president – general manager, Home Care, from October 2012 to January 2013, and vice president – general manager, Glad[®] Products from January 2010 to October 2012.

William S. Bailey is the senior vice president – corporate business development of the Company, a position he has held since January 2016. Prior to joining the Company, he served as vice president – corporate and business development at TripAdvisor, from June 2012 to January 2016. He served as vice president - corporate development at Ancestry.com, from June 2011 to June 2012. From August 2009 to June 2011, he served as vice president – corporate and business development at Check Point Software Technologies Inc.

Jon Balousek is senior vice president – general manager, specialty division of the Company, a position he has held since January 2013. Prior to this role, he served as vice president – general manager, litter, food and charcoal from October 2011 to December 2012, and vice president – marketing, cleaning division from October 2008 to September 2011.

Michael R. Costello is the senior vice president – international of the Company, a position he has held since September 2013. Prior to this role, he served as vice president – general manager, international, from March 2011 to August 2013. From July 2009 through March 2011, he served as vice president – general manager, Latin America and Europe.

Denise Garner is the senior vice president - chief innovation officer of the Company, a position she has held since January 2015. Prior to this role, she served as vice president, R&D – global cleaning & international, from January 2010 to December 2014.

Matthew Laszlo is the senior vice president – chief customer officer of the Company, a position he has held since October 2014. Prior to this role, he served as vice president – general manager, professional products division, from October 2013 to October 2014. From January 2012 to October 2013 he served as vice president – sales, professional products division. From January 2010 to January 2012 he served as director – field sales, professional products division.

Kirsten Marriner is the senior vice president – chief people officer of the Company, a position she has held since March 2016. Prior to joining the Company, she served as senior vice president and chief human resources officer at Omnicare, from March 2013 to August 2015. She served in various leadership roles, including as senior vice president, director of talent management and development at Fifth Third Bank, from October 2004 to March 2013.

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Linda Rendle is senior vice president – cleaning division of the Company, a position she has held since August 2016. Prior to this role, she served as vice president – general manager, homecare from October 2014 to August 2016. From April 2012 to October 2014, she served as vice president – sales, cleaning division. From August 2011 to April 2012, she served as director of sales planning – litter, food & charcoal. From January 2010 to August 2011, she served as director of sales – supply chain.

Eric Reynolds is the senior vice president – chief marketing officer of the Company, a position he has held since January 2015. Prior to this role, he served as vice president – general manager, Europe, Middle East, Africa and Asia from May 2012 to January 2015. From May 2011 to April 2012 he was director, International business development. From June 2008 to April 2011 he was general manager, Caribbean.

Manjit Singh is the senior vice president – chief information officer of the Company, a position he has held since December 2014. In August 2016, he joined the Company’s executive committee. Prior to joining the Company, he served as head of vertical consulting at Box, Inc., from February 2014 to November 2014. From September 2010 to January 2013, he served as Global Chief Information Officer at Las Vegas Sands Corp.

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PART II

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

Market Information

The Company's common stock is listed on the New York Stock Exchange. The high and low sales prices quoted for the New York Stock Exchange-Composite Transactions Report for each quarterly period during the past two fiscal years appear in the Notes to Consolidated Financial Statements in Exhibit 99.1, incorporated herein by reference.

Holders

The number of record holders of the Company's common stock as of July 29, 2016, was 10,995 based on information provided by the Company's transfer agent.

Dividends

The amount of quarterly dividends declared with respect to the Company's common stock during the past two fiscal years appears in the Notes to Consolidated Financial Statements in Exhibit 99.1, incorporated herein by reference.

Equity Compensation Plan Information

See Part III, Item 12 hereof.

Issuer Purchases of Equity Securities

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 fourth quarter of fiscal year 2016.

Period	[a] Total Number of Shares (or Units) Purchased ⁽¹⁾	[b] Average Price Paid per Share (or Unit)	[c] Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs
April 1 to 30, 2016	257,617	\$ 124.35	257,617	(2)
May 1 to 31, 2016	30,315	126.69	30,315	(2)
June 1 to 30, 2016	-	-	-	(2)
	287,932	\$ 124.59	287,932	

(1) Shares purchased in April 2016 and May 2016 were acquired pursuant to the Company's share repurchase program to offset the impact of share dilution related to share-based awards (the Evergreen Program).

(2) The Company has two share repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to \$750 million, all of which was available for share repurchases as of June 30, 2016, and the Evergreen Program, the purpose of which is to offset the impact of anticipated share dilution related to share-based awards and which has no specified cap.

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ITEM 6. SELECTED FINANCIAL DATA

This information appears under “Five-Year Financial Summary” in Exhibit 99.1, incorporated herein by reference.

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

This information appears under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Exhibit 99.1, incorporated herein by reference.

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

This information appears under “Quantitative and Qualitative Disclosures about Market Risk” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Exhibit 99.1, incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

These statements and data appear in Exhibit 99.1, incorporated herein by reference.

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

None.

ITEM 9.A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s chief executive officer and chief financial officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this Report, were effective such that the information required to be disclosed by the Company in reports filed under the Exchange Act 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.

Management’s Report on Internal Control Over Financial Reporting

Management’s report on internal control over financial reporting is set forth in Exhibit 99.1, and is incorporated herein by reference. The Company’s independent registered public accounting firm, Ernst & Young, LLP, has audited the effectiveness of the Company’s internal control over financial reporting as of June 30, 2016. See “Report of Independent Registered Public Accounting Firm,” which appears in Exhibit 99.1.

Change in Internal Control Over Financial Reporting

No change in the Company’s internal control over financial reporting occurred during the fourth fiscal quarter of the fiscal year ended June 30, 2016, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9.B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

The Company has adopted a Code of Conduct that applies to its principal executive officer, principal financial officer and principal accounting officer, among others. The Code of Conduct is located on the Company's website at [TheCloroxCompany.com](http://www.thecloroxcompany.com/corporate-responsibility/performance/corporate-governance) under Corporate Responsibility/Performance/Corporate Governance or <http://www.thecloroxcompany.com/corporate-responsibility/performance/corporate-governance>. The Company intends to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of its Code of Conduct by posting such information on the Company's website. The Company's website also contains its corporate governance guidelines and the charters of its principal board committees.

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

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation, Management Development and Compensation Committee interlocks and insider participation and the report of the Management Development and Compensation Committee of the Company's board of directors set forth in the Proxy Statement is incorporated herein by reference.

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

Information regarding security ownership of certain beneficial owners, management and directors and securities authorized for issuance under equity compensation plans set forth in the Proxy Statement is incorporated herein by reference.

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

Information regarding certain relationships and related transactions and director independence set forth in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Financial Statements and Schedules:

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

Reports of Independent Registered Public Accounting Firm.

Consolidated Statements of Earnings for the fiscal years ended June 30, 2016, 2015 and 2014.

Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2016, 2015 and 2014.

Consolidated Balance Sheets as of June 30, 2016 and 2015.

Consolidated Statements of Stockholders' Equity for the fiscal years ended June 30, 2016, 2015 and 2014.

Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2016, 2015 and 2014.

Notes to Consolidated Financial Statements.

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

(b) Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation.	10-Q	001-07151	3(iii)	February 14, 2000
3.2	Bylaws (amended and restated).	8-K	001-07151	3.2	August 28, 2015
3.3	Certificate of Designations for The Clorox Company Series A Junior Participating Preferred Stock.	8-K	001-07151	3.1	July 19, 2011
4.1	Indenture, dated as of December 3, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee.	8-K	001-07151	4.1	December 3, 2004
4.2	Indenture, dated as of October 9, 2007, between the Company and The Bank of New York Trust Company N.A., as trustee.	S-3ASR	333-200722	4.1	December 4, 2014

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.3	First Supplemental Indenture, dated as of November 9, 2009, among the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.2	December 4, 2014
4.4	Second Supplemental Indenture, dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.3	December 4, 2014
4.5	Third Supplemental Indenture, dated as of November 17, 2011, between the company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.4	December 4, 2014
4.6	Fourth Supplemental Indenture, dated as of September 13, 2012, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.5	December 4, 2014
4.7	Fifth Supplemental Indenture, dated as of December 9, 2014, between the Company and Wells Fargo Bank, National Association, as trustee	8-K	001-07151	4.1	December 9, 2014
10.1*	The Clorox Company Amended and Restated Independent Directors' Deferred Compensation Plan, effective as of November 16, 2005, and amended and restated as of February 7, 2008.	10-Q	001-07151	10.55	May 2, 2008
10.2*	The Clorox Company Non-Qualified Deferred Compensation Plan, adopted as of January 1, 1996, and amended and restated as of July 20, 2004.	10-K	001-07151	10(x)	August 27, 2004
10.3*	Amendment No.1 to The Clorox Company Non-Qualified Deferred Compensation Plan.				
10.4*	The Clorox Company Annual Incentive Plan, amended and restated as of September 17, 2013.	10-K	001-07151	10.8	August 25, 2014

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.5*	The Clorox Company 2005 Stock Incentive Plan, amended and restated as of November 14, 2012.	10-Q	001-07151	10.1	February 5, 2013
10.6*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2013.	10-K	001-07151	10.12	August 25, 2014
10.7*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2014.	10-K	001-07151	10.9	August 21, 2015
10.8*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2015.	10-Q	001-07151	10.1	November 2, 2015
10.9*	Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan.	10-K	001-07151	10.13	August 23, 2013
10.10*	Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.	10-K	001-07151	10.14	August 25, 2014
10.11*	The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.	10-K	001-07151	10.18	August 19, 2008
10.12*	Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.18	August 26, 2011
10.13*	Amendment No. 2 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.				
10.14*	The Clorox Company Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009.	10-Q	001-07151	10.17	November 3, 2009
10.15*	Amendment No. 1 to The Clorox Company Supplemental Executive Retirement Plan, effective as of July 29, 2011.	10-Q	001-07151	10.21	November 3, 2011
10.16*	Amendment No. 2 to The Clorox Company Supplemental Executive Retirement Plan, effective as of September 11, 2012.	10-Q	001-07151	10.2	November 2, 2012
10.17*	The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008.	10-Q	001-07151	10.58	May 2, 2008
10.18*	Form of Indemnification Agreement.	10-Q	001-07151	10.27	May 4, 2010

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.19*	First Amended and Restated Executive Change in Control Severance Plan, effective November 20, 2014.	10-Q	001-07151	10.1	February 5, 2015
10.20*	Severance Plan for Clorox Executive Committee Members, amended and restated effective November 20, 2014.	10-Q	001-07151	10.2	February 5, 2015
10.21*	The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.	10-Q	001-07151	10.27	May 4, 2011
10.22*	Amendment No. 1 to The Clorox Company Executive Retirement Plan.				
10.23*	The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.	10-K	001-07151	10.29	August 26, 2011
10.24*	Amendment No. 1 to The Clorox Company 2011 Nonqualified Deferred Compensation Plan.				
10.25	Credit Agreement, dated as of October 1, 2014 among The Clorox Company, the lenders listed therein, Citibank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Administrative Agents, and Citibank, N.A. as Servicing Agent.	8-K	001-07151	10.1	October 7, 2014
10.26(+)	Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates.				
21	Subsidiaries.				
23	Consent of Independent Registered Public Accounting Firm.				
31.1	Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
99.1	Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.				
99.2	Valuation and Qualifying Accounts and Reserves.				
99.3	Reconciliation of Economic Profit (Unaudited).				
101	The following materials from The Clorox Company's Annual Report on Form 10-K for the year ended June 30, 2016 are formatted in extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.				

(*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

(+) Confidential treatment has been requested for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CLOROX COMPANY

Date: August 16, 2016

By: /s/ Benno Dorer

B. Dorer
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ R. H. Carmona</u> R. H. Carmona	Director	August 16, 2016
<u>/s/ S. C. Fleischer</u> S. C. Fleischer	Director	August 16, 2016
<u>/s/ G. J. Harad</u> G. J. Harad	Director	August 16, 2016
<u>/s/ E. Lee</u> E. Lee	Director	August 16, 2016
<u>/s/ R. W. Matschullat</u> R. W. Matschullat	Director	August 16, 2016
<u>/s/ J. Noddle</u> J. Noddle	Director	August 16, 2016
<u>/s/ R. M. Rebolledo</u> R. M. Rebolledo	Director	August 16, 2016
<u>/s/ P. Thomas-Graham</u> P. Thomas-Graham	Director	August 16, 2016
<u>/s/ C. M. Ticknor</u> C. M. Ticknor	Director	August 16, 2016
<u>/s/ C. J. Williams</u> C. J. Williams	Director	August 16, 2016

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<u>/s/ A.D.D. MacKay</u> A.D.D. MacKay	Director	August 16, 2016
<u>/s/ B. Dorer</u> B. Dorer	Chairman and Chief Executive Officer (Principal Executive Officer)	August 16, 2016
<u>/s/ S. M. Robb</u> S. M. Robb	Executive Vice President — Chief Financial Officer (Principal Financial Officer)	August 16, 2016
<u>/s/ T. Johnson</u> T. Johnson	Vice President — Global Business Services and Chief Accounting Officer (Principal Accounting Officer)	August 16, 2016

INDEX OF EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation.	10-Q	001-07151	3(iii)	February 14, 2000
3.2	Bylaws (amended and restated).	8-K	001-07151	3.1	August 28, 2015
3.3	Certificate of Designations for The Clorox Company Series A Junior Participating Preferred Stock.	8-K	001-07151	3.1	July 19, 2011
4.1	Indenture, dated as of December 3, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee.	8-K	001-07151	4.1	December 3, 2004
4.2	Indenture, dated as of October 9, 2007, between the Company and The Bank of New York Trust Company N.A., as trustee.	S-3ASR	333-200722	4.1	December 4, 2014
4.3	First Supplemental Indenture, dated as of November 9, 2009, among the Company, The Bank of New York Trust Company N.A., and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.2	December 4, 2014
4.4	Second Supplemental Indenture, dated as of November 9, 2009, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.3	December 4, 2014
4.5	Third Supplemental Indenture, dated as of November 17, 2011, between the company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.4	December 4, 2014
4.6	Fourth Supplemental Indenture, dated as of September 13, 2012, between the Company and Wells Fargo Bank, National Association, as trustee.	S-3ASR	333-200722	4.5	December 4, 2014
4.7	Fifth Supplemental Indenture, dated as of December 9, 2014, between the Company and Wells Fargo Bank, National Association, as trustee	8-K	001-07151	4.1	December 9, 2014

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1*	The Clorox Company Amended and Restated Independent Directors' Deferred Compensation Plan, effective as of November 16, 2005, and amended and restated as of February 7, 2008.	10-Q	001-07151	10.55	May 2, 2008
10.2*	The Clorox Company Non-Qualified Deferred Compensation Plan, adopted as of January 1, 1996, and amended and restated as of July 20, 2004.	10-K	001-07151	10(x)	August 27, 2004
10.3*	Amendment No. 1 to The Clorox Company Non-Qualified Deferred Compensation Plan				
10.4*	The Clorox Company Annual Incentive Plan, amended and restated as of September 17, 2013.	10-K	001-07151	10.8	August 25, 2014
10.5*	The Clorox Company 2005 Stock Incentive Plan, amended and restated as of November 14, 2012.	10-Q	001-07151	10.1	February 5, 2013
10.6*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2013.	10-K	001-07151	10.12	August 25, 2014
10.7*	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2014.	10-K	001-07151	10.9	August 21, 2015
10.8	Form of Performance Share Award Agreement under the Company's 2005 Stock Incentive Plan for awards made in 2015.	10-Q	001-07151	10.1	November 2, 2015
10.9*	Form of Restricted Stock Unit Award Agreement under the Company's 2005 Stock Incentive Plan.	10-K	001-07151	10.13	August 23, 2013
10.10*	Form of Nonqualified Stock Option Award Agreement under the Company's 2005 Stock Incentive Plan.	10-K	001-07151	10.14	August 25, 2014
10.11*	The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan, effective January 1, 2008.	10-K	001-07151	10.18	August 19, 2008
10.12*	Amendment No. 1 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.	10-K	001-07151	10.18	August 26, 2011
10.13*	Amendment No. 2 to The Clorox Company Amended and Restated 2005 Nonqualified Deferred Compensation Plan.				

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.14*	The Clorox Company Supplemental Executive Retirement Plan, as restated effective January 5, 2005, as revised August 13, 2009.	10-Q	001-07151	10.17	November 3, 2009
10.15*	Amendment No. 1 to The Clorox Company Supplemental Executive Retirement Plan, effective as of July 29, 2011.	10-Q	001-07151	10.21	November 3, 2011
10.16*	Amendment No. 2 to The Clorox Company Supplemental Executive Retirement Plan, effective as of September 11, 2012.	10-Q	001-07151	10.2	November 2, 2012
10.17*	The Clorox Company Executive Incentive Compensation Plan, amended and restated as of February 7, 2008.	10-Q	001-07151	10.58	May 2, 2008
10.18*	Form of Indemnification Agreement.	10-Q	001-07151	10.27	May 4, 2010
10.19*	First Amended and Restated Executive Change in Control Severance Plan, effective November 20, 2014.	10-Q	001-07151	10.1	February 5, 2015
10.20*	Severance Plan for Clorox Executive Committee Members, amended and restated effective November 20, 2014.	10-Q	001-07151	10.2	February 5, 2015
10.21*	The Clorox Company Executive Retirement Plan, effective as of July 1, 2011.	10-Q	001-07151	10.27	May 4, 2011
10.22*	Amendment No. 1 to The Clorox Company Executive Retirement Plan.				
10.23*	The Clorox Company 2011 Nonqualified Deferred Compensation Plan, effective as of July 1, 2011.	10-K	001-07151	10.29	August 26, 2011
10.24*	Amendment No. 1 to The Clorox Company 2011 Nonqualified Deferred Compensation Plan.				
10.25	Credit Agreement, dated as of October 1, 2014 among The Clorox Company, the lenders listed therein, Citibank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Administrative Agents, and Citibank, N.A. as Servicing Agent.	8-K	001-07151	10.1	October 7, 2014
10.26(+)	Amended and Restated Joint Venture Agreement dated as of January 31, 2003, between The Glad Products Company and certain affiliates and The Procter and Gamble Company and certain affiliates.				

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
21	Subsidiaries.				
23	Consent of Independent Registered Public Accounting Firm.				
31.1	Certification of the Chief Executive Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer of The Clorox Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32	Certification of the Chief Executive Officer and Chief Financial Officer of The Clorox Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
99.1	Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements, Management's Report on Internal Control over Financial Reporting and Reports of Independent Registered Public Accounting Firm.				
99.2	Valuation and Qualifying Accounts and Reserves.				
99.3	Reconciliation of Economic Profit (Unaudited).				
101	The following materials from The Clorox Company's Annual Report on Form 10-K for the year ended June 30, 2015 are formatted in extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.				

(*) Indicates a management or director contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

(+) Confidential treatment has been requested for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

**THE CLOROX COMPANY
NONQUALIFIED DEFERRED COMPENSATION PLAN
AMENDMENT NO. 1**

Pursuant to Section 6.06 of The Clorox Company Nonqualified Deferred Compensation Plan (the "Plan"), the Plan is hereby amended as follows, effective as of July 1, 2016:

3. Section 5.01(b) of the Plan is hereby deleted in its entirety and replaced with the following:

“(b) Subsequent Elections. A Participant may change the form of a distribution election with respect to his or her entire vested Account by submitting the change to the Committee in writing, at least two calendar years before the Participant has a Termination of Employment. Unless otherwise approved by the Administrator in its sole discretion, only one change election under this paragraph (b) can be made for the Participant’s entire vested Account. A change election made under this paragraph (b) shall be irrevocable as of December 31 of the calendar year that is at least the second calendar year prior to the calendar year in which the Participant has a Termination of Employment. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant’s most recent effective distribution election under this Section 5.01 will govern payment of the Participant’s entire vested Account upon the Participant’s Termination of Employment.”

Except as modified by this Amendment No. 1, the Plan shall remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, The Clorox Company has caused this Amendment No. 1 to be duly executed as of the day and year first written above.

The Clorox Company

By: /s/ Kirsten Marriner

**THE CLOROX COMPANY
AMENDED AND RESTATED
2005 NONQUALIFIED DEFERRED COMPENSATION PLAN
AMENDMENT NO. 2**

Pursuant to Section 6.07 of The Clorox Company 2005 Nonqualified Deferred Compensation Plan, as amended (the "Plan"), the Plan is hereby amended as follows, effective as of July 1, 2016:

2. Section 5.01(b) of the Plan is hereby deleted in its entirety and replaced with the following:

“(b) Subsequent Elections for Elective Deferrals. A Participant may change the form of a distribution election (whether payable in-service or upon or following Separation From Service) with respect to all or a portion of his or her Account by submitting the change to the Committee, in writing, at least one calendar year before the originally scheduled distribution date. Unless otherwise approved by the Administrator in its sole discretion, only one change election under this paragraph (b) can be made for amounts credited to a Participant’s Account for any specific Plan Year. Any such change election will defer the timing of commencement of the distribution for five years after the originally scheduled distribution date. A change election made under this paragraph (b) shall be irrevocable as of the date that is one year prior to the originally scheduled distribution date. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant’s most recent effective distribution election will govern the payment of the Participant’s Account.”

Except as modified by this Amendment No. 2, the Plan shall remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, The Clorox Company has caused this Amendment No. 2 to be duly executed as of the day and year first written above.

The Clorox Company

By: /s/ Kirsten Marriner

**THE CLOROX COMPANY
EXECUTIVE RETIREMENT PLAN
AMENDMENT NO. 1**

Pursuant to Section 6.07 of The Clorox Company Executive Retirement Plan (the "Plan"), the Plan is hereby amended as follows, effective as of July 1, 2016:

4. Section 5.01(b) of the Plan is hereby deleted in its entirety and replaced with the following:

“(b) Subsequent Election. A Participant may change the form of a distribution election with respect to all or a portion of his or her Account by submitting the change to the Committee, in writing, at least one calendar year before the originally scheduled distribution date. Unless otherwise approved by the Administrator in its sole discretion, only one change election under this paragraph (b) can be made for amounts credited to a Participant’s Account for any specific Plan Year. Any such change election will defer the timing of commencement of the distribution for five years after the originally scheduled distribution date. A change election made under this paragraph (b) shall be irrevocable as of the date that is one year prior to the originally scheduled distribution date. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant’s most recent effective distribution election will govern the payment of the Participant’s Account.”

Except as modified by this Amendment No. 1, the Plan shall remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, The Clorox Company has caused this Amendment No. 1 to be duly executed as of the day and year first written above.

The Clorox Company

By: /s/ Kirsten Marriner

**THE CLOROX COMPANY
2011 NONQUALIFIED DEFERRED COMPENSATION PLAN
AMENDMENT NO. 1**

Pursuant to Section 6.07 of The Clorox Company 2011 Nonqualified Deferred Compensation Plan (the "Plan"), the Plan is hereby amended as follows, effective as of July 1, 2016:

1. Section 5.01(c) of the Plan is hereby deleted in its entirety and replaced with the following:

“(c) Subsequent Elections for Elective Deferrals. A Participant may change the form of a distribution election (whether payable in-service or upon or following Separation From Service) with respect to all or a portion of his or her Account by submitting the change to the Committee, in writing, at least one calendar year before the originally scheduled distribution date. Unless otherwise approved by the Administrator in its sole discretion, only one change election under this paragraph (c) can be made for amounts credited to a Participant’s Account for any specific Plan Year. Any such change election will defer the timing of commencement of the distribution for five years after the originally scheduled distribution date. A change election made under this paragraph (c) shall be irrevocable as of the date that is one year prior to the originally scheduled distribution date. If such a subsequent election is not valid because, for example, it is not made in a timely manner, the Participant’s most recent effective distribution election will govern the payment of the Participant’s Account.”

Except as modified by this Amendment No. 1, the Plan shall remain unchanged and shall remain in full force and effect.

IN WITNESS WHEREOF, The Clorox Company has caused this Amendment No. 1 to be duly executed as of the day and year first written above.

The Clorox Company

By: /s/ Kirsten Marriner

AMENDED AND RESTATED JOINT VENTURE AGREEMENT

DATED AS OF JANUARY 31, 2003

BETWEEN

THE GLAD PRODUCTS COMPANY AND ITS AFFILIATES IDENTIFIED HEREIN

AND

THE PROCTER & GAMBLE COMPANY AND ITS AFFILIATE IDENTIFIED HEREIN

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

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THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

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THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

AMENDED AND RESTATED JOINT VENTURE AGREEMENT

This Amended and Restated Joint Venture Agreement (this "Agreement") is made as of the 31st day of January, 2003 by and between The Glad Products Company, a Delaware corporation, Glad Manufacturing Company, a Delaware corporation, Clorox Services Company, a Delaware corporation, The Clorox Sales Company, a Delaware corporation, Clorox International Company, a Delaware corporation (collectively the "Clorox Parties"), and The Clorox Company, a Delaware corporation ("Clorox"), and The Procter & Gamble Company, an Ohio corporation ("P&G") and Procter & Gamble RHD Inc., an Ohio corporation ("P&G Sub") and collectively with P&G, the "P&G Parties") (each, a "Party" and collectively, the "Parties").

BACKGROUND

WHEREAS, the Clorox Parties currently operate the Glad Business (as defined below);

WHEREAS, the P&G Parties have certain intellectual property and proprietary technologies that the P&G Parties and the Clorox Parties wish to use in the Glad Business;

WHEREAS, the Clorox Parties and the P&G Parties desire that P&G Sub acquire an undivided participation interest in the Glad Business and participate in the management of such business, as provided for herein;

WHEREAS, the Clorox Parties and the P&G Parties have previously entered into a Joint Venture Agreement, dated as of November 15, 2002 (the "Original Date") with respect to the Glad Business (the "Original Agreement");

WHEREAS, the Clorox Parties and the P&G Parties wish to amend and restate in its entirety the Original Agreement in accordance with the further provisions of this Agreement;

WHEREAS, the Parties intend for their contractual relationship established by this Agreement with respect to the Glad Business to be treated as a partnership for U.S. federal, state and local income tax purposes; and

WHEREAS, the Clorox Parties and the P&G Parties wish to set forth, and be bound by their mutual agreement as to certain significant terms and conditions regarding the foregoing and related matters;

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

Section 1.1 Defined Terms.

As used in this Agreement:

“Adjustment Amount” means an amount equal to (a) ten percent (10%) of the aggregate Capital Contributions made or deemed made by all JV Partners after the Closing Date and on or prior to the closing of the exercise of the P&G Option, minus (b) ten percent (10%) of the aggregate distributions to the JV Partners with respect to distributions of Available Cash Flow (other than distributions made under Section 3.4(c)(ii) hereof) consisting of the net cash proceeds of any sale, transfer or other disposition of any business or assets of the Glad Business outside the ordinary course of business of the Glad Business after the Closing Date and on or prior to the closing of the P&G Option, minus (c) the aggregate distributions under Section 3.4(c)(ii) and Section 3.5(b)(ii) made prior to the closing of the P&G Option (which for the avoidance of doubt will not include any amounts included in the following clause (d)), minus (d) the cumulative amount of Distribution Shortfalls owed or previously paid to the holder of the Class A JV Interest under Section 3.4(c)(v) hereof.

“Affiliate” means with respect to a specified Person, any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the specified Person. As used in this definition, the term “control” means the possession, directly or indirectly, or as trustee or executor, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, as trustee or executor, by contract or credit arrangement or otherwise. For purposes of clarification, the Parties agree that Henkel KGaA, an entity organized under the laws of Germany, will not be deemed to be an Affiliate of any Clorox Party.

“Affiliate Loans” with respect to any International Licensee shall have the meaning set forth in the JV Sublicense Agreement to which such International Licensee is a party.

“Available Cash Flow” means, with respect to any Fiscal Quarter or other period, the sum of all cash receipts during such Fiscal Quarter or other period attributed to the Joint Venture from any and all sources other than the cash proceeds of any Indebtedness, plus all Reserves as of the close of business on the last day of the preceding Fiscal Quarter or other period, plus interest on such Reserves at Clorox’s 30-day commercial paper borrowing rate (or, if Clorox is unable to obtain commercial paper, Clorox’s short term cost of borrowing) minus all cash disbursements attributed to the Joint Venture for any and all purposes during such Fiscal Quarter or other period (including loan repayments (other than Parent Loans), interest payments (other than in respect of Parent Loans), capital improvements and replacements but excluding (x) disbursements funded by the cash proceeds of any Indebtedness (other than Parent Loans)), (y) guaranteed payments made under Section 3.5(a) and 3.5(b) for such Fiscal Quarter, and (z) a reasonable allowance as of the last day of such Fiscal Quarter or other period for Reserves, contingencies and anticipated obligations as determined by the Board, determined in accordance with the JV Accounting Principles, minus distributions made pursuant to Section 3.5 hereof for such Fiscal Quarter (other than the guaranteed payments described in Sections 3.5(a) and 3.5(b) hereof).

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

“Business Day” means a day other than a Saturday, Sunday, federal or New York holiday or other day on which commercial banks in New York, New York are authorized or required by law to close.

“Capital Call” means a call by the Board pursuant to Section 2.6 hereof to the JV Partners for additional contributions of capital to be attributed to the Joint Venture.

“Capital Contribution” means the total amount of cash and the [* * *] fair market value [* * *] of all of the assets to be attributed to the Joint Venture as contributed by a JV Partner, including the Clorox Contribution and the P&G Contribution.

“Carrying Value” means, with respect to any Property, the Property’s [* * *] except that the Carrying Value of all Properties may be adjusted to equal their [* * *] in accordance with the [* * *] immediately prior to: (i) the date of the acquisition of any additional interest in the Joint Venture by any new or existing JV Partner in exchange for more than a de minimis capital contribution; or (ii) the date of the distribution of more than a de minimis amount of Property (other than a pro rata distribution) to a JV Partner. The Carrying Value of any Property distributed to any JV Partner will be adjusted immediately prior to such distribution to equal its fair market value. The Carrying Value of any Property contributed by any JV Partner will be adjusted immediately prior to such contribution to equal its fair market value. In the case of any asset that has a Carrying Value that differs from its [* * *] Carrying Value will be adjusted by the amount of depreciation calculated for purposes of the definition of “Net Profits and Net Loss” rather than the amount of depreciation calculated for [* * *]. For purposes of clarification, Clorox and P&G have agreed on the initial contributions and the [* * *] as reflected in the initial Capital Accounts.

“Change of Control” of any Person (the “Relevant Person”) means the occurrence of either (i) the acquisition by any Person or group of Persons acting in concert (other than a JV Partner or its Affiliates) of direct or indirect (through the ownership of a majority of the voting power of a parent corporation of otherwise beneficial ownership (as defined under Section 13(d) of the Securities and Exchange Act of 1934, as amended) of securities of the Relevant Person such that following such acquisition such Person or group of Persons acting in concert beneficially own a majority of the voting power of all outstanding voting securities of such Relevant Person or (ii) any merger, consolidation or share exchange of the Relevant Person with or into any other Person, unless the equity holders of the Relevant Person immediately prior to any such transaction are holders of a majority of the voting power of the surviving entity or its parent company immediately thereafter.

“Class A Interest” means the undivided Class A participation interest in the Joint Venture, which shall entitle the JV Partner holding such Class A interest to receive allocations and distributions from time to time as provided in this Agreement.

“Class A Royalty Amount” means, with respect to any Fiscal Quarter, royalty payments attributable to the Joint Venture received under the Glad License Agreements in an amount equal to [* * *] percent ([* * *]%) of the aggregate Distributable Local Cash Flow for the International Licensees for such Fiscal Quarter, less Deemed Withholding Taxes on such royalty payments.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

“Class B Interest” means the undivided Class B participation interest in the Joint Venture, which shall entitle the JV Partner holding such Class B interest to receive allocations and distributions from time to time as provided in this Agreement.

“Class C Interest” means the undivided Class C participation interest in the Joint Venture, which shall entitle the JV Partner holding such Class C interest to receive allocations and distributions from time to time as provided in this Agreement.

“Clorox Disclosure Schedule” means a schedule dated as of the Original Date delivered by Clorox to P&G, which identifies exceptions and other matters with respect to the representations and warranties of the Clorox Parties contained in Sections 4.1 and 4.2.

“Clorox Partners” means the Clorox Parties and any Permitted Transferees of any Clorox Parties that have been Transferred all or any part of the JV Interest held by such Clorox Parties.

“Code” means the Internal Revenue Code of 1986, as amended (or any corresponding provision or provisions of any succeeding law).

“Contribution Allocation Statement” means the allocation of the Clorox Contribution among the Clorox Parties to be prepared by Clorox in good faith.

“Deemed Withholding Taxes” means an amount of withholding taxes deemed to have been imposed under the definition of “Class A Royalty Amount.” The amount of withholding taxes deemed to have been imposed will be determined based on the aggregate amount of withholding taxes that would have been imposed on payments made under the Glad License Agreements had royalty payments in an aggregate amount equal to the Class A Royalty Amount been paid in such Fiscal Quarter by the International Licensees pro rata in accordance with the total royalty payments actually made by the International Licensees under the Glad License Agreements for such Fiscal Quarter.

“Distributable Cash Flow” means, with respect to any Fiscal Quarter or other period, Available Cash Flow for such Fiscal Quarter or other Period minus any payments required to be made pursuant to Section 3.4(d) hereof.

“Distributable Local Cash Flow” for any International Licensee has the meaning set forth in the JV Sublicense Agreement to which such International Licensee is a party.

“Environmental Laws” means any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally enforceable requirement (including common law) of any foreign government, the United States, or any state, local, municipal or other Governmental Authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety.

“Exclusive Field” means the [* * *] of bags, wraps, straws and covered containers primarily [* * *].

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“Fair Market Value” means, except to the extent otherwise expressly provided herein:

(i) with respect to a Party’s Ordinary JV Interest, “Fair Market Value” will be calculated as the product of (x) the Ordinary JV Interest held by such Party and (y) “Fair Market Value” for all outstanding Ordinary JV Interests as if all Ordinary JV Interests were to be sold to a single buyer who would acquire sole control over the business and affairs of the Glad Business. “Fair Market Value” for all outstanding Ordinary JV Interests will be determined by agreement of the Parties or, if the Parties are unable to so agree within [* * *] through good faith negotiation, then the Parties will agree upon [* * *] to determine such valuation, provided that if the Parties are unable to so agree [* * *]. Notwithstanding the foregoing, to the extent “Fair Market Value” is being determined for purposes of Section 6.6 or 6.7 hereof, “Fair Market Value” for purposes of the foregoing clause (y) will be determined by reference to the [* * *] as applicable. For example, [* * *]. If, in either of the examples provided in the two immediately preceding sentences, there were \$[* * *] outstanding, the Fair Market Value of all outstanding Ordinary JV Interests would have equaled \$[* * *] rather than \$[* * *] (i.e. the value of all of the Ordinary JV Interests would equal the value of the[* * *]). The [* * *] in any such transaction will include the [* * *] are not attributable to the Joint Venture. The intent of the immediately preceding four sentences is to make it clear that Fair Market Value under those circumstances will be derived solely from the [* * *].

(ii) with respect to a Glad Local Business, “Fair Market Value” will be equal to [* * *]. “Fair Market Value” of the Glad Local Business will be determined by agreement of the Parties or, if the Parties are unable to so agree within [* * *] through good faith negotiation, then the [* * *] will determine such valuation. Notwithstanding the foregoing, to the extent “Fair Market Value” is being determined [* * *] “Fair Market Value” will be determined by reference to the [* * *]. For example, if [* * *]. If, in the example provided in the immediately preceding sentence, there were \$[* * *] of Affiliate Loans outstanding, the Fair Market Value of all outstanding Ordinary JV Interests would have equaled \$[* * *] rather than \$[* * *] (i.e. the value would equal the value of [* * *]). The [* * *] in any such transaction will include the [* * *]. The intent of the immediately preceding three sentences is to make it clear that Fair Market Value under those circumstances will be derived solely from [* * *]. In the event of any transaction involving the [* * *], to the extent the P&G Partners believe in good faith that the [* * *] in such transaction [* * *] represents, the Parties will negotiate in good faith to agree upon the appropriate allocation and, if the Parties are unable to so agree within [* * *] through good faith negotiation, then the [* * *] will determine such allocation;

(iii) with respect to each of the Class A Interest and the Class C Interest, individually, “Fair Market Value” will be deemed to be an amount equal to [* * *] of the aggregate Fair Market Value of the [* * *];

(iv) with respect to the P&G Option, (A) during the Option Exercise Period, if the P&G Option is not yet exercised, the greater of [* * *] with respect to the Ordinary JV Interest and [* * *] the then-applicable Option Price; and (B) after the Option Exercise Period, [* * *]; and

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(v) in the event “Fair Market Value” is being determined in connection with a Clorox Change of Control, the [***] will determine the Fair Market Values of the Ordinary JV Interests held by the Clorox Partners (taking into account the existence of the P&G Option if such option has not been previously exercised or terminated) and the Glad Local Businesses [***]. Once the [***] has determined the Fair Market Values of the Ordinary JV Interests held by the Clorox Partners and the Glad Local Businesses, it will then determine the “Fair Market Values” of [***]. For example, assuming the P&G Option has been exercised, if a third party buyer acquires [***]. If, in the example provided in the immediately preceding sentence, there were [***] the Ordinary JV Interests would have equaled [***] (i.e. the value of all of the Ordinary JV Interests would equal [***] the Glad Local Businesses would have equaled \$[***]. The [***]. This determination in connection with a Clorox Change of Control will be made by the [***] based on the [***], and for avoidance of doubt it is expected in determining such relative values that [***] as the case may be). The [***] will be directed to determine Fair Market Value based on [***].

With respect to any determination of “Fair Market Value” hereunder, the [***] by the Clorox Partners (collectively), and each of the Clorox Partners (collectively) and the P&G Partners (collectively) will have the right to make a presentation with respect to the calculation of Fair Market Value to the [***] making the determination.

“Field” means, collectively, the Exclusive Field and the Non-Exclusive Field.

“Fiscal Quarter” means each three (3) calendar month period ending on March 31, June 30, September 30 and December 31, or in the case of the first Fiscal Quarter of the Joint Venture, the period from the Closing Date through March 31, 2003.

“Fiscal Year” means (i) each 12-month period ending on June 30, or in the case of the first Fiscal Year of the Joint Venture, the period from the Closing Date through June 30, 2003, or (ii) if after the date of this Agreement the taxable year is required by the Code to be a period other than the period described in clause (i), then each 12-month period that is the taxable year of the Joint Venture determined in accordance with the requirements of the Code; (iii) the period from the day after the end of the most recently ended Fiscal Year until the date the Term ends, and (iv) for purposes of making allocations of Net Profits and Net Loss, Fiscal Year means any portion of a taxable year of the Joint Venture to the extent required to comply with Section 706 of the Code.

“GAAP” means generally accepted accounting principles as in effect in the United States (or such other jurisdiction as may be specified herein) consistently applied.

“General Technology” means any technology of general utility not specific [***], including but not limited to technology that can be used [***] and/or [***] or [***] or [***]. Any technology that is not General Technology is Specific Technology.

“Glad Balance Sheet” means the balance sheet of the Glad Business as of June 30, 2002, attached to Section 1.1 to the Clorox Disclosure Schedule.

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“Glad Business” means the business conducted by Clorox and its Subsidiaries within the Field and any other business that the Board determines to enter into without violating Section 5.3(a), including any expansion of such business into a New Country that is structured in the manner set forth in Section 7.8(b) hereof, provided that such business will not include (i) any business, operations, properties, assets or Liabilities of the Glad Licensed Business or (ii) any equity interest in any Subsidiary of Clorox conducting the Glad Licensed Business.

“Glad Existing International Business” means the business in the Field conducted by Clorox and its Subsidiaries in Canada, Australia, New Zealand, the People’s Republic of China, the Philippines, Hong Kong, Costa Rica, South Korea and South Africa.

“Glad Financial Statements” means the Glad Balance Sheet and the related statements of earnings and cash flows of the Glad Business previously delivered to P&G.

“Glad Global Business” means the Glad Business and the Glad Licensed Business as conducted during the Term.

“Glad License Agreements” means the license agreements between The Glad Products Company and each of the International Licensees, entered into as of the Closing Date substantially in the form set forth on Exhibit J hereto, which license agreements provide for a royalty payment calculated based on the net sales of such International Licensee, and such other comparable new or amended license agreements that may be entered into during the Term with respect to intellectual property of Clorox Affiliates for the Glad Business, which license agreements are between The Glad Products Company (or another Affiliate on behalf of Clorox) and an International Licensee with respect to New Countries in connection with an expansion structured in the manner set forth in Section 7.8(a).

“Glad License Termination Amount” means, under any Glad License Agreement, an amount equal to [* * *] percent ([* * *]%) of the Fair Market Value of the Glad Local Business for the Territory (as defined in such Glad License Agreement).

“Glad Licensed Business” means (x) the Glad Existing International Business and (y) any expansion of the business conducted by Clorox and its Subsidiaries in the Field into a New Country that is structured in the manner set forth in Section 7.8(a) hereof.

“Glad Local Business”, with respect to any International Licensee, shall have the meaning set forth in the JV Sublicense Agreement to which such International Licensee is a party.

“Glad Parties” means, collectively, the Clorox Parties and the International Licensees and “Glad Party” means any one such Person.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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“Improvements” means any and all Intellectual Property rights in and to any update, modification, customization, translation, upgrade, improvement, enhancement and/or derivative work.

“Indebtedness” means all obligations for borrowed money, including guarantees, and all reimbursement obligations in respect of outstanding letters of credit (measured assuming such letters of credit are drawn in full).

[* * *] shall have the meaning set forth in the definition of [* * *].

“Industrial Packaging” means [* * *] used as packaging for products, which packaging is (i) [* * *], (ii) sold to [* * *] for their use as the packaging for their products, and (iii) [* * *]. For the avoidance of doubt, Industrial Packaging shall exclude any [* * *] and used as packaging [* * *], and which packaging is (A) [* * *] and (B) sold to [* * *] for their use as the packaging for their products.

“Infringe” means to infringe, misappropriate, dilute, impair or otherwise violate.

“Institutional Channel” means sales of products to commercial, educational and/or governmental institutions and organizations including, without limitation, hospitals, restaurants, janitorial service providers, universities, schools, hotels and caterers (collectively, “Institutions”), as well as sales of products to [* * *].

“Intellectual Property” means any and all intellectual property, including, without limitation, patents, copyrights, trademarks, service marks, trade names, software, trade secrets, technology, inventions, specifications, know-how, processes, formulae, product descriptions and specifications and other technical or proprietary information, and all registrations and applications therefor.

“International Acquisition” means, with respect to any International Licensee, the sale, disposition or other transfer to a Third Party of all or substantially all of the equity interests of such International Licensee or of all or substantially all the business, assets and properties of such International Licensee used in the Glad Local Business of such International Licensee, but excluding any transaction in which the JV Interests of the P&G Partners are purchased pursuant to the provisions of Sections 6.4, 6.5, 6.6 or 6.7.

“International Licensee” means each of Clorox Australia Pty. Ltd., The Clorox Company of Canada Ltd., Clorox de Centro America, S.A., Clorox China (Guangzhou) Ltd., Clorox Hong Kong Limited, Clorox New Zealand Limited, Clorox International Philippines, Inc., Clorox Africa (Pty) Ltd. and Clorox Korea Limited and any other Person that becomes a party to a JV Sublicense Agreement as a licensee thereunder.

“IP Acquisition” means, in connection with an International Acquisition, a grant of a [* * *] the Related Local Intellectual Property (or other disposition of all substantial rights to all such Related Local Intellectual Property) of the applicable International Licensee, which license is granted to a Third Party licensee on behalf of the Joint Venture in exchange for a [* * *] to the Joint Venture from the new licensee of such Related Local Intellectual Property.

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“IP Allocation Amount” means, in the case of any International Acquisition in which there is an IP Acquisition, an amount equal to [* * *] percent ([* * *]%) of the Fair Market Value of the relevant Glad Local Business.

“IP Acquisition Price” means, in the case of any International Acquisition in which there is a related IP Acquisition, the amount paid to acquire the license of or rights to the Related Local Intellectual Property by the new licensee of such Related Local Intellectual Property.

“Joint Venture” means the contractual relationship between the JV Partners created by this Agreement, which will be treated as a partnership for U.S. federal, state and local income tax purposes, and will include all interests attributed to such Joint Venture in accordance with the terms of this Agreement with respect to any business, asset, right, property or Liability, including without limitation the Clorox Contribution and the P&G Contribution.

“JV Interest” means an Ordinary JV Interest, Class A Interest, Class B Interest or Class C Interest.

“JV Sublicense Agreements” means (i) the sublicense agreements to be dated and executed as of the Closing Date in the form attached hereto as Exhibit I between The Glad Products Company and each International Licensee, providing for the sublicense to the International Licensee of certain Intellectual Property rights licensed under the P&G License Agreement, pursuant to the terms thereof, and (ii) such other license agreements which may be entered into on behalf of the Joint Venture during the Term with respect to New Countries pursuant to Section 7.8(a).

“JV Sublicense Termination Amount” means, under any JV Sublicense Agreement, an amount equal to [* * *] percent ([* * *]%) of the Fair Market Value of the Glad Local Business to which such JV Sublicense Agreement relates.

“JV Partners” means any Person that holds a JV Interest in accordance with the terms of this Agreement. As of the Closing Date, the JV Partners will consist of each of the Clorox Parties and P&G Sub.

“Know How” means any and all proprietary information, knowledge or expertise known to P&G [* * *]; and may include, without limitation, any know how, copyrights, software, trade secrets, technology, inventions, specifications, processes, formulae, product descriptions and specifications and other technical or proprietary information, if any, owned or held by P&G [* * *] (as defined in the P&G License Agreement).

“Liabilities” means, as to any Person, all debts, liabilities and obligations, direct, indirect, absolute or contingent of such Person, whether accrued, vested or otherwise, whether known or unknown and whether or not actually reflected, or required by GAAP to be reflected, in such Person’s balance sheet.

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“Knowledge” or “knowledge” of a Party means to the actual knowledge after reasonable inquiry (i) of those employees of such Party and its Affiliates who prior to the execution of the Original Agreement participated in the preparation or negotiation of the Original Agreement or any of the Related Agreements or the due diligence investigations relating to the PWC Report or the transactions contemplated by the Original Agreement and the Related Agreements or (ii) of those employees of such Party and its Affiliates who have been consulted prior to the execution of the Original Agreement by the employees specified in clause (i) with respect to the Original Agreement or any of the Related Agreements or any of the transactions contemplated hereby or thereby.

“Liens” means any adverse claims, liens, security interests, charges, leases, licenses or sublicenses and other encumbrances of any kind and nature.

“Material Adverse Effect” means (i) with respect to the Clorox Parties, a material adverse effect upon the business, properties, financial condition or results of operations of the Glad Business and the Glad Existing International Business, taken as a whole (provided that for avoidance of doubt the Parties acknowledge that it is not a precondition that an adverse effect impact more than one country or market before it is possible for this standard to be satisfied) or on the ability of the Clorox Parties to perform their obligations under this Agreement or any of the Related Agreements and (ii) with respect to the P&G Parties, a material adverse effect on the ability of the P&G Parties to perform their obligations under this Agreement or any of the Related Agreements.

“Materials of Environmental Concern” means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other substances of any kind, whether or not any such substance is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or could give rise to liability under any Environmental Law.

“Net Income (Loss)” means, for any period, the net income (loss) attributed to the Joint Venture in accordance with the JV Accounting Principles, excluding (a) any gains or loss resulting from the sale or other disposition of any property, plant or equipment attributed to the Joint Venture which is not sold or otherwise disposed of in the ordinary course of business; (b) any gains or loss resulting from the sale or other disposition of any equity interest in any Person; (c) any extraordinary gain or loss; (d) any one-time charges or expenses associated with the acquisition of any business or Person; and (e) any cumulative effect of a change in accounting principles.

“Net Profits” and “Net Loss” mean, for each Fiscal Year or other period, an amount equal to the taxable income or loss attributed to the Joint Venture for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss) and with the accounting method used by the Joint Venture for federal income tax purposes, with the following adjustments:

(i) any income attributed to the Joint Venture that is exempt from U.S. federal income tax and not otherwise taken into account in computing Net Profits or Net Loss will be added to such taxable income or loss;

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(ii) any expenditures attributed to the Joint Venture described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Net Profits or Net Loss will be subtracted from such taxable income or loss;

(iii) if the Carrying Value of any Property differs from its adjusted tax basis for federal income tax purposes, any gain or loss resulting from a disposition of such asset will be calculated with reference to such Carrying Value;

(iv) upon an adjustment to the Carrying Value of any Property (other than an adjustment in respect of depreciation) pursuant to the definition of Carrying Value, the amount of the adjustment will be included as gain or loss in computing such taxable income or loss;

(v) if the Carrying Value of any Property differs from its adjusted tax basis for federal income tax purposes the amount of depreciation, amortization or cost recovery deductions with respect to such Property will for purposes of determining Net Profits and Net Loss be an amount which bears the same ratio to such Carrying Value as the federal income tax depreciation, amortization or other cost recovery deductions bears to such adjusted tax basis;

(vi) notwithstanding any other provision of this definition, any items of income, gain, loss or deduction that are specially allocated pursuant to Section 3.2 will not be taken into account in computing Net Profits or Net Loss.

“Non-Exclusive Field” means (i) [* * *] outside of the Exclusive Field of [* * *] products of the Glad Global Business in the Exclusive Field as of the Closing Date, including [* * *] of the Glad Global Business and/or the [* * *] and (ii) [* * *] branded with a Glad Global Business trademark sold to [* * *] Glad Global Business products [* * *].

“Ordinary JV Interest” means, with respect to any JV Partner, its undivided participation interest in the Joint Venture (other than any participation interest represented by the Class A Interest, Class B Interest or Class C Interest, as applicable). The Ordinary JV Interest of each JV Partner will be expressed as a percentage of the aggregate Ordinary JV Interests of all JV Partners. The Ordinary JV Interests of the JV Partners may be adjusted from time to time as provided in this Agreement. The initial Ordinary JV Interest of each JV Partner as of the Closing will be as set forth in Section 2.5 hereof.

“P&G Disclosure Schedule” means a schedule dated as of the Original Date delivered by P&G to Clorox, which identifies exceptions and other matters with respect to the representations and warranties of the P&G Parties contained in Sections 4.1 and 4.3.

“P&G Equipment” means the equipment described on Exhibit C hereto.

“P&G Equipment Transfer Documents” means such instruments of transfer, with appropriate instruments of title, in form and substance reasonably satisfactory to Clorox, to effectively transfer the P&G Equipment as provided in Section 2.3 hereof.

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“P&G License Agreement” means the Intellectual Property License Agreement to be dated and executed as of the Closing Date in the form attached hereto as Exhibit A, providing for the license of certain Intellectual Property by P&G Sub.

“P&G Partners” means P&G Sub and any Permitted Transferee of P&G Sub that has been Transferred all or any part of the JV Interest held by P&G.

“P&G Services Agreement” means the Product Development and Services Agreement to be dated and executed as of the Closing Date in the form attached hereto as Exhibit B, providing for certain services to be provided by P&G.

“Permitted Liens” means (i) Liens for Taxes that (x) are not yet due or delinquent or (y) are being contested in good faith by appropriate proceedings; (ii) statutory Liens or landlords’, carriers’, warehousemen’s, mechanics’, suppliers’, materialmen’s, repairmen’s or other like Liens arising in the ordinary course of business; (iii) Liens incurred or deposits made in connection with workers’ compensation, unemployment insurance and other types of social security or similar benefits; (iv) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance bonds and other obligations of like nature; (v) as to any real property leases with respect to which the relevant entity is a lessee, any Lien effecting the interest of the landlord thereunder and (vi) Liens the existence of which do not and will not have, individually or in the aggregate, a Material Adverse Effect.

“Permitted Transfer” means a Transfer of all or part of any JV Interest to a Permitted Transferee.

“Permitted Transferee” means:

(i) in the case of the Clorox Parties and any Permitted Transferee of any Clorox Party: (A) Clorox, (B) any Subsidiary of Clorox, (C) any Person that, together with its Affiliates, has acquired all or substantially all of the Glad Global Business from the Clorox Parties or their Permitted Transferees, and (D) any other Person to the extent P&G has given its prior written consent to such Transfer; and

(ii) in the case of P&G Sub and any Permitted Transferee of P&G Sub, (A) P&G, (B) any Subsidiary of P&G and (C) any other Person to the extent Clorox has given its prior written consent to such Transfer.

“Person” means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture or other form of business or legal entity or Governmental Authority.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by Citibank, N.A. as its prime rate in effect at its principal office in New York, New York; each change in the Prime Rate will be effective from and including the date such change is publicly announced as being effective.

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“Property” means the assets attributed to the Joint Venture, both tangible and intangible.

“PWC Report” means the report of PriceWaterhouse Coopers dated October 4, 2002 with respect to the Glad Business and the Glad Existing International Business previously provided by Clorox to P&G.

“Raw Material Technology” means technology used in the production of [* * *] that can be used in the production of products [* * *].

“Regulations” means the federal income tax regulations promulgated by the Treasury Department under the Code, as such regulations may be amended from time to time. All references herein to a specific section of the Regulations will be deemed also to refer to any corresponding provisions of succeeding Regulations.

“Related Agreements” means, collectively, (i) the P&G License Agreement, (ii) the P&G Services Agreement, (iii) the P&G Equipment Transfer Documents, (iv) the JV Sublicense Agreements and (v) the Glad License Agreements.

“Related Local Intellectual Property” means, for any International Licensee, the Intellectual Property licensed to such International Licensee under the applicable Glad License Agreement and JV Sublicense Agreement.

“Reserves” means cash funds set aside from Capital Contributions or gross cash revenues as reserves. Such “Reserves” will be maintained in amounts and upon such timing as is reasonably deemed necessary by the Board to finance any working capital requirements and/or to pay taxes, insurance, debt service, repairs, replacements, renewals, capital expenditures or other costs or expenses to be attributed to the Joint Venture in accordance with the JV Accounting Principles in the four Fiscal Quarters following the date such Reserves are being established that will not be funded from Available Cash Flow based on the then-current financial forecasts of the Joint Venture.

“Significant Contracts” means any contract that would be required to be submitted to the board of directors of Clorox in accordance with the policies of Clorox for authorization and approval of contracts to which Clorox or its Subsidiaries are a party as such policies are in effect as of the Original Date.

“Specific Technology” means any technology (as it may be modified with [* * *] for specific application [* * *]) that has specific application [* * *], including but not limited to technology that has a [* * *] or otherwise is of specific utility [* * *]. Any technology that is not Specific Technology is General Technology.

“Subsidiary” of any Person means any corporation, partnership, limited liability company, joint venture or other legal entity of which such Person (either alone or through or together with any other Subsidiary) owns or has the right to acquire, directly or indirectly, 50% or more of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

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“Taxes” means all forms of taxation, duties, levies and imposts, whether of the United States or elsewhere including income, chargeable gains, alternative or add-on minimum, gross receipts, sales, use, ad valorem, value added, franchise, capital, paid-up capital, profits, greenmail, license, environmental (including taxes under Section 59A of the Internal Revenue Code of 1986, as amended), withholding, payroll, employment, excise, severance, stamp, occupation, premium, real or personal property, windfall profit, custom, duty or other tax, (including national insurance contributions) together with any interest or any penalty or addition to tax.

“Third Party” means a Person other than the Clorox Parties, the P&G Parties or their respective Affiliates.

“Transfer” means to transfer, sell, hypothecate, encumber or assign, directly or indirectly, provided that a Change of Control of Clorox will not be considered a Transfer of any JV Interest held by any Clorox Partner for purposes hereof, and a Change of Control of P&G will not be considered a Transfer of any JV Interest held by any P&G Partner for purposes hereof.

Section 1.2 Other Definitions.

The following terms are defined in the Sections indicated:

Term	Section
Additional Amount	2.6(e)
Additional Contribution	2.6(f)
Agreement	Preamble
Arm’s Length Terms	5.3(a)(v)
Authorized Persons	7.3(b)(iii)
Board	5.1(a)
Call Right	6.5(b)
Capital Account	2.9(a)
Change of Control Notice	6.4(a)(i)
Class A Special Amount	3.4(c)(ii)
Class C Special Amount	3.4(c)(i)
Clorox	Preamble
Clorox Contribution	2.2(a)(i)
Clorox Benefit Plans	4.2(o)
Clorox Excluded Assets	2.2(b)
Clorox Indemnified Parties	10.2
Clorox Parties	Preamble
Clorox Retained Liabilities	2.2(c)
Clorox Services	7.1(a)
Closing	2.1
Closing Date	2.1
Competing Business	7.2(c)
Confidential Information	7.3(b)
Deadlock Notice	6.5(b)(i)
Defined Benefit Plans	7.5(d)

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Term	Section
Distribution Shortfall	3.4(c)(v)
Escalation	5.3(b)
Existing International Balance Sheets	4.2(a)(vii)
Existing Product	7.2(b)(vii)
FDA	4.2(h)
Glad Leadership Team	5.1(e)
HSR Act	7.5(a)
Indemnified Parties	10.2
Indemnifying Party	10.3
Initial Term	6.3(a)
IP Transferees	11.12(c)
JV Accounting Principles	9.1(a)
Leased Real Property	4.2(e)
Losses and Expenses	10.1
Negative Cash Flow	2.6(b)
New Country	7.8
Option Exercise Period	2.7(a)
Option Price	2.7(a)
Original Agreement	Recitals
Original Date	Recitals
Owned Real Property	4.2(e)
P&G	Preamble
P&G Sub	Preamble
P&G Contribution	2.3(a)(ii)
P&G Indemnified Parties	10.1
P&G Observers	5.1(b)
P&G Option	2.7(a)
P&G True-Up	2.6(c)
P&G Parties	Preamble
P&G Veto	5.3(b)
Parent Loans	2.6(a)
Party	Preamble
Pro Rata Portion	7.5(d)
Prohibited License Amounts	3.4(b)
Purchaser Plan	7.5(d)
Put Right	6.4(a)
Resolution Period	5.3(b)
Revised Valuation	6.8(a)
Quarterly Financials	2.6(b)
SEC	4.2(a)(v)
SEC Documents	4.2(a)(v)
Supplemental Schedule	7.5(e)

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Term	Section
Tag-Along Right	6.6(a)
Tax Matters Partner	9.2(b)
Third-Party Sale	6.7(a)
Term	6.3(a)
Working Capital	4.2(a)(ii)

Section 1.3 Other Definitional Provisions; Interpretation.

The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement, and section and subsection references are to this Agreement unless otherwise specified. The headings in this Agreement are included for convenience of reference only and will not limit or otherwise affect the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they will be deemed to be followed by the words “without limitation.” The phrases “the date of this Agreement,” “the date hereof” and terms of similar import, unless the context otherwise requires, will be deemed to refer to the date set forth in the first paragraph of this Agreement. The meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms. All matters to be agreed to by any Party hereunder must be agreed to in writing by such Party unless otherwise indicated herein.

ARTICLE II

CONTRIBUTIONS AND ALLOCATIONS OF INTEREST

Section 2.1 Closing of Joint Venture.

Subject to the satisfaction or waiver of the conditions set forth in Article VIII, the closing of the transactions contemplated by Sections 2.2 and 2.3 (the “Closing”) will take place as of the close of business Pacific Time on January 31, 2003 at the offices of Clorox in Oakland, California, or at such other time and place as may be mutually agreed to by the Parties (the “Closing Date”). The Parties agree that the actual exchange of any documents, certificates assets or any other object required to be delivered at Closing will take place at such other time and place either before or after the close of business Pacific Time on January 31, 2003, as the Parties reasonably determine.

Section 2.2 Clorox Contribution and Related Matters.

(a) From and after the Closing, the following interests and Liabilities of the Clorox Parties and their Subsidiaries will be attributed to, and for income Tax purposes will be deemed owned or assumed by, the Joint Venture, except as provided in Section 2.2(b) below with respect to Clorox Excluded Assets and Section 2.2(c) below with respect to Clorox Retained Liabilities:

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(i) the interest of the Clorox Parties and their respective Subsidiaries on the Closing Date in all of the businesses, assets, rights and properties (w) reflected in the Glad Balance Sheet except as set forth in Schedule 2.2(a)(i) hereto, (x) set forth in Section 2.2(a)(iii)(C) of the Clorox Disclosure Schedule (to the extent an asset), (y) subject to the JV Accounting Principles, to the extent and only to the extent utilized in or related to the Glad Business, not reflected in the Glad Balance Sheet, provided that the Joint Venture and the Glad Business shall continue to have the right to use (in the same manner, to the same extent and on the same terms) any businesses, assets, rights and properties of the Clorox Parties and their Subsidiaries that would have been included in this clause (y) but for the application of the JV Accounting Principles or (z) subject to the JV Accounting Principles, to the extent and only to the extent utilized in or related to the Glad Business, acquired after the date of such Glad Financial Statements and prior to the Closing and including, for the avoidance of doubt, the rights of the Clorox Parties under the Glad License Agreements as of the Closing and in the Intellectual Property licensed thereunder (collectively, the “Clorox Contribution”), and which Clorox Contribution will be allocated among the Clorox Parties as set forth in the Contribution Allocation Statement and for income Tax purposes will be deemed contributed to the Joint Venture;

(ii) subject to the JV Accounting Principles, the interest of the Clorox Parties and their Subsidiaries in any business, asset, right or property acquired during the Term by the Clorox Parties to the extent and only to the extent utilized in or related to the Glad Business (for the avoidance of doubt, for income Tax purposes, such interests shall be deemed to be acquired by the Joint Venture rather than contributed by the Clorox Parties);

(iii) all Liabilities of the Clorox Parties and their Subsidiaries to the extent and only to the extent (A) reflected in the Glad Balance Sheet except as set forth in Schedule 2.2(a)(iii) hereto, (B) incurred or assumed by the Glad Business in the ordinary course of business after the date of such Glad Balance Sheet and prior to the Closing that would be reflected as current Liabilities on a balance sheet of the Glad Business as of the Closing prepared in accordance with the JV Accounting Principles, but excluding any current Liabilities arising from third party litigation claims, (C) set forth in Section 2.2(a)(iii)(C) of the Clorox Disclosure Schedule (to the extent a Liability), (D) arising out of the conduct of the Glad Business or the ownership or possession of any business, assets, rights or property of the Glad Business during the Term or (E) assumed or incurred during the Term by the Clorox Parties or their Subsidiaries in accordance with the terms hereof with respect to the Glad Business, provided that Indebtedness will be attributed to the Joint Venture only to the extent that the provisions of Article V hereof with respect to approvals are complied with and the proceeds of such Indebtedness are utilized in the Glad Business to finance expenditures that cannot be financed by Distributable Cash Flow; and

(iv) all Net Income and Net Loss and Available Cash Flow arising in respect of the foregoing and proceeds of any disposition thereof.

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For avoidance of doubt, the interests in clauses (i) through (iv) above will not include any interests in the Glad Licensed Business other than the interests represented by the Glad License Agreements and no foreign Subsidiary of Clorox that conducts the Glad Licensed Business will be a JV Partner hereunder.

(b) The following interests of the Clorox Parties and their Subsidiaries will be excluded from the Joint Venture and will not be attributed to the Joint Venture (collectively, the “Clorox Excluded Assets”), and from and after the Closing the Joint Venture will not include any interest in any of the following:

(i) all rights of the Clorox Parties and their Subsidiaries under this Agreement;

(ii) all interests in any business, asset, right or property sold, transferred or otherwise disposed of after the date of the Glad Financial Statements and prior to the Closing in the ordinary course of the Glad Business and not in violation of Section 7.7 hereof;

(iii) all cash and cash equivalents as of the Closing other than petty cash with respect to the Glad Business;

(iv) all refunds or credits with respect to any Taxes paid or incurred by Clorox or its Subsidiaries prior to the Closing Date, except to the extent reflected on the Glad Balance Sheet;

(v) all refunds or credits with respect to any income Taxes of Clorox or its Subsidiaries other than refunds of non-U.S. income Taxes that were attributed to the Joint Venture pursuant to Section 2.2(c)(ii);

(vi) all capital stock or other equity interests of Clorox and its Subsidiaries; and

(vii) all rights of the Clorox Parties arising out of or in connection with any Retained Liabilities, including without limitation any cause of action, right of recovery, right of set-off or counterclaim.

(c) From and after the Closing, none of the following Liabilities will be attributed to the Joint Venture (“Clorox Retained Liabilities”):

(i) any Liability (A) arising out of or relating to the conduct of the Glad Business or the ownership or possession of any business, assets, rights or property of the Glad Business prior to the Closing Date or (B) assumed or incurred prior to the Closing Date by the Clorox Parties or their Subsidiaries, except for any Liabilities described in clause (A), (B) or (C) of Section 2.2(a)(iii);

(ii) (A) any Liability with respect to income Taxes of the Clorox Parties and their Subsidiaries, except for income Taxes imposed by a Tax authority of a foreign jurisdiction in which the Joint Venture is conducting (or causing to be conducted) the Glad Business, and (B) any Liability of the Clorox Parties and their Subsidiaries with respect to Taxes resulting from effecting the Clorox Contribution at Closing;

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(iii) any Liability arising out of or relating to the Clorox Excluded Assets;

(iv) any Liability with respect to the matters set forth in Section 2.2(c)(iv) of the Clorox Disclosure Schedule;

(v) any Liability of the Clorox Parties to the P&G Parties arising out of or related to any breach of this Agreement or any Related Agreement by the Clorox Parties or their Subsidiaries, even if arising out of or related to conduct of the Glad Business or the ownership or possession of any business, asset, right or property of the Glad Business during the Term; and

(vi) any Liability for which the Clorox Parties or their Subsidiaries have otherwise agreed to be liable and not have attributed to the Glad Business pursuant to this Agreement or any Related Agreement.

Section 2.3 Contribution by P&G and Related Matters.

(a) As of the Closing, the following interests of the P&G Parties will be attributed to, and for Tax purposes, will be deemed contributed to the Joint Venture:

(i) a license to certain Intellectual Property rights licensed to the Clorox Parties as set forth in the P&G License Agreement; and

(ii) all title, right and interest to the P&G Equipment, the title to which P&G Equipment will be conveyed to one or more Clorox Parties at the Closing, free and clear of all Liens, except for Permitted Liens (collectively clauses (i) and (ii), the “P&G Contribution”).

(b) From and after the Closing:

(i) the rights of the Clorox Parties under the P&G License Agreement and the JV Sublicense Agreements will be attributed to the Joint Venture;

(ii) the right, title and interest of the Clorox Parties to the P&G Equipment will be attributed to the Joint Venture; and

(iii) all Net Income and Net Loss and Available Cash Flow arising in respect of the foregoing and proceeds of any disposition thereof will also be attributed to the Joint Venture.

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(c) The P&G Parties will make the following deliveries on the Closing Date and during the Term in connection with the rights granted under the P&G License Agreement:

(i) Within a reasonable time after the Closing Date, the P&G Parties will deliver to Clorox for use in the Glad Business all Know How included in the [***] medium on the Closing Date;

(ii) On and after the Closing Date, the P&G Parties will deliver to Clorox for use in the Glad Business (A) all Know How [***], as promptly as commercially practicable after any such Know How [***]; and

(iii) In the event that any Know How is necessary for the Clorox Parties' use or practice of any P&G Technology, but does not, as of the Closing Date or any later date, [***] then the P&G Parties, at Clorox's request, will promptly (x) provide the Clorox Parties with [***] to Clorox.

Section 2.4 Nature of JV Interest

An Ordinary JV Interest represents an undivided participation interest in the Glad Business and each JV Interest represents a right to receive income and losses, cash flow and proceeds with respect thereto, as described herein. A JV Interest does not represent, and will not be deemed to convey, a direct ownership interest in any of the properties, assets or other rights of the Glad Business, title to which will be held by the Clorox Parties, nor will it result in the assumption by the P&G Parties of any Liabilities of the Glad Business. For income Tax purposes only, a JV Interest represents a capital and profits interest in the Joint Venture.

Section 2.5 Initial Allocations of Interest and Capital Accounts.

(a) In consideration for the Clorox Contribution, at the Closing the Clorox Parties will have an aggregate initial Ordinary JV Interest of ninety percent (90%), the Class A Interest and the Class B Interest and an aggregate Capital Account balance as will be mutually agreed by the Parties prior to Closing. The JV Interests and Capital Account balance of each individual Clorox Party as of the Closing will be determined by Clorox in accordance with the Contribution Allocation Statement, but in no event will the aggregate JV Interests and Capital Accounts balances of the Clorox Parties as of the Closing exceed those provided in the first sentence of this Section 2.5(a).

(b) In consideration for the P&G Contribution, at the Closing P&G Sub will have an initial Ordinary JV Interest of ten percent (10%), the Class C Interest and an aggregate Capital Account balance as will be mutually agreed by the Parties prior to Closing. All JV Interests and Capital Account balances of the P&G Parties as of the Closing will be deemed to be owned solely and exclusively by P&G Sub. P&G is a party to this Agreement for purposes of guaranteeing the performance of all obligations of P&G Sub and to perform directly certain obligations pursuant to this Agreement.

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Section 2.6 Additional Capital Calls and Parent Loans.

(a) All additional capital contributions that will be attributed to the Joint Venture will be made in accordance with this Section 2.6. In the event additional funds are required to finance specific capital, acquisition or extraordinary expenditures of the Glad Business, such funds may be provided by the JV Partners as loans attributed to the Joint Venture (“Parent Loans”) or as additional contributions of capital, in each case as provided in this Section 2.6. The Board may, from time to time, issue Capital Calls, requesting the JV Partners to make additional contributions of capital in proportion to their respective Ordinary JV Interests in order to finance expenditures of the Glad Business if based on the then-current financial forecasts of the Joint Venture (i) such expenditures cannot be funded entirely out of Distributable Cash Flow for such Fiscal Quarter and (ii) if Parent Loans are used to finance such expenditures, the Available Cash Flow during the next [* * *] will be insufficient to repay in full all Parent Loans that would be outstanding immediately after such new Parent Loans are incurred. Each JV Partner agrees that Capital Calls issued to any JV Partner will be paid by the JV Partner at its election. The remedy for non-payment of any Capital Calls will be limited to the remedy set forth in this Section 2.6 and such non-payment will not be a breach of this Agreement pursuant to this Section 2.6(a). Except as otherwise required by law, no JV Partner will be required to make any additional contributions to the capital attributed to the Joint Venture. All capital contributions to be attributed to the Joint Venture will be paid by the JV Partners to the account of the Clorox Partner designated by Clorox to receive such capital contributions.

(b) In the event that additional funds are required to finance specific capital, acquisition or extraordinary expenditures of the Glad Business, and the then-current financial forecasts of the Joint Venture indicate that (i) such expenditures can be funded entirely out of Distributable Cash Flow for that Fiscal Quarter or (ii) if Parent Loans are used to finance such expenditures, the Available Cash Flow during the next [* * *] will be sufficient to repay in full all Parent Loans that would be outstanding immediately after such new Parent Loans are incurred, the Clorox Partners will provide such additional funds as a Parent Loan having a term of [* * *]. In the event that Available Cash Flow for any Fiscal Quarter as set forth in the quarterly financial statements of the Joint Venture for such Fiscal Quarter to be delivered pursuant to Section 9.1(c) (the “Quarterly Financials”) is a negative number (such number, the “Negative Cash Flow”) (x) less than \$[* * *] and the aggregate outstanding Parent Loans by the Clorox Partners would not exceed \$[* * *] if the amount of such Negative Cash Flow were treated as a Parent Loan or (y) if Parent Loans are used to fund the Negative Cash Flow, the Available Cash Flow during the next [* * *] will be sufficient to repay in full all Parent Loans that would be outstanding immediately after such new Parent Loans are incurred, then the amount of the Negative Cash Flow will be treated as a Parent Loan by the Clorox Partners, which Parent Loan will be deemed to have been made as of the last day of the Fiscal Quarter to which the Negative Cash Flow relates.

(c) In the event that there is Negative Cash Flow for any Fiscal Quarter that will not be treated as a Parent Loan in accordance with Section 2.6(b), then within three (3) Business Days of delivery of the Quarterly Financials pursuant to Section 9.1(c), the Board will issue a Capital Call to P&G Sub in an amount (the “P&G True-Up”) equal to: (i) the aggregate amount of the Ordinary JV Interests held by the P&G Partners [* * *] (ii) the Negative Cash Flow. In the event the P&G Partners pay such Capital Call, (A) the proceeds thereof will be paid to the Clorox Partner designated by Clorox, (B) the P&G Partners will be deemed to have made a capital contribution to the Joint Venture in the amount of the P&G True-Up, (C) each of the Clorox Partners will be deemed to have made a capital contribution to the Joint Venture in the amount of (x) the amount of the Ordinary JV Interest held by such Clorox Partner [* * *] (y) the Negative Cash Flow and (D) the respective Ordinary JV Interests of the Parties will not be adjusted with respect to such capital contributions or such Capital Call paid by P&G Sub or deemed paid by the Clorox Partners. In the event the P&G Partners decline to pay such Capital Call, the Clorox Partners will be deemed to have advanced the amount of the Negative Cash Flow, which may be treated as a loan or a contribution by the Clorox Partners at their election as provided in Section 2.6(e) below.

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(d) All Parent Loans will bear interest calculated on the outstanding principal amount thereof for each day from the date such Parent Loan is made until it is paid in full at [***] plus [***] percent ([**]%) per annum payable on a quarterly basis, and payments with respect to any Parent Loans will be credited first to accrued interest. Subject to the provisions of Section 3.4(b)(iv), each Parent Loan will have a maturity date of the last day of the Term.

(e) Subject to the provisions of Section 2.6(c) hereof, in the event of the failure of any P&G Partner to make full and timely payment of any additional capital contribution required by any Capital Call pursuant to this Section 2.6, the Clorox Partners will be deemed to have advanced to the Joint Venture the entire unpaid amount. Subject to the provisions of Section 2.6(c) hereof, such advance as well as any other amounts that would have been deemed paid by the Clorox Partner on its own behalf with respect to such Capital Call if the P&G Partners had paid such Capital Call in full (together with such advance, the “Additional Amount”) will, at the election of the advancing Clorox Partner, be treated in either of the following manners:

(i) the Additional Amount may be treated as a Parent Loan; or

(ii) the Additional Amount may be treated as a contribution by the Clorox Partner paying such Additional Amount attributed to the Joint Venture of all or any portion of such unpaid Capital Call.

(f) Effective upon the making of an additional capital contribution by a Clorox Partner pursuant to Section 2.6(e)(ii) (an “Additional Contribution”), the Ordinary JV Interest of each JV Partner will be recalculated as that percentage equal to a fraction:

(i) [***] of which is equal to the sum of (A) (x) the Ordinary JV Interest of such JV Partner prior to the Additional Contribution [***] by (y) the aggregate Fair Market Value of all Ordinary JV Interests prior to the Additional Contribution plus (B) the amount, if any, of the Additional Contribution made by such JV Partner, and

(ii) [***] of which is equal to the sum of (A) the aggregate Fair Market Value of all Ordinary JV Interests prior to the Additional Contribution [***] (B) the aggregate amount of all Additional Contributions by all the JV Partners made at the same time as such Additional Contribution.

For purposes of this Section 2.6(f), prior to the three-year anniversary of the Closing Date, the Fair Market Value of all the Ordinary JV Interests will be no less than \$[***] plus the aggregate amount of Additional Contributions made or deemed made prior to the date as of which such Fair Market Value is being determined.

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By way of illustration, in the event the Ordinary JV Interests held by the JV Partners remain unchanged from the Closing Date and the P&G Option has not been exercised, and an Additional Contribution is made by a Clorox Partner in the amount of \$[* * *] and the Fair Market Value for all Ordinary JV Interests prior to such Additional Contribution is equal to \$[* * *] the Ordinary JV Interests held by the P&G Partners would be an aggregate of [* * *]% and the Ordinary JV Interests held by the Clorox Partners would be an aggregate of [* * *]%, calculated as follows:

$$[* * *]\% = [* * *]$$

$$[* * *]\% = [* * *]$$

Section 2.7 P&G Option.

(a) During the period commencing on the Closing Date and ending on January 1, 2008 (the “Option Exercise Period”), the P&G Partners will have the option (the “P&G Option”) to acquire from the Clorox Partners all (but not less than all) of (x) a portion of the Clorox Partners’ Ordinary JV Interests equal to ten percent (10%) of the total Ordinary JV Interests as of the date of the closing of the exercise of the P&G Option and (y) the Class A Interest. The [* * *] price to be paid by P&G Sub to the Clorox Partners (the “Option Price”) will be determined as follows:

- (i) \$[* * *] plus the Adjustment Amount, if any, in the event the P&G Option is exercised on or before January 1, 2004;
- (ii) \$133 million plus the Adjustment Amount, if any, if the P&G Option is exercised after January 1, 2004 and on or before January 1, 2005;
- (iii) \$[* * *] plus the Adjustment Amount, if any, if the P&G Option is exercised after January 1, 2005 and on or before January 1, 2006;
- (iv) \$[* * *] plus the Adjustment Amount, if any, if the P&G Option is exercised after January 1, 2006 and on or before January 1, 2007; and
- (v) \$[* * *] plus the Adjustment Amount, if any, if the P&G Option is exercised after January 1, 2007 and on or before January 1, 2008.

(b) If the P&G Partners wish to exercise the P&G Option, P&G will provide ten (10) Business Days prior written notice to Clorox. The closing with respect to any exercise of the P&G Option will take place on the tenth Business Day after exercise by the P&G Partners of the P&G Option, provided that if all orders, consents and approvals of Governmental Authorities legally required for the closing of such sale will not have been obtained or will not be in effect, or if any waiting period under the HSR Act will not have expired or been terminated, such closing will be delayed until the tenth Business Day after such orders, consents and approvals will be obtained and in effect and such waiting period, if any, will have expired or been terminated. Payment of the Option Price will be by immediately available funds to the accounts designated by Clorox.

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Section 2.8 Rights with Respect to Capital.

(a) No JV Partner will have the right to withdraw, or receive any return of, its Capital Contribution, and no Capital Contribution may be returned in the form of property other than cash except as specifically provided herein.

(b) Except as expressly provided in this Agreement, no Capital Contribution of any JV Partner will bear any interest or otherwise entitle the contributing JV Partner to any compensation for use of the contributed capital.

Section 2.9 Capital Accounts.

(a) There will be established for each JV Partner on the books of the Joint Venture a capital account (“Capital Account”) that will be maintained in accordance with this Section 2.9.

(b) In the event a JV Partner transfers a JV Interest in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred JV Interest.

(c) The Capital Account of each JV Partner will be increased by:

(i) such JV Partner’s cash contributions attributed to and deemed contributed to the Joint Venture (including deemed cash contributions equal to the amount of organizational expenses incurred by such JV Partner on behalf of the Joint Venture);

(ii) the Carrying Value of property attributed to and deemed contributed by such JV Partner (net of Liabilities secured by such contributed property that the Joint Venture is considered to have attributed to it or such property is subject to under Code Section 752);

(iii) all items of Net Profits allocated to such JV Partner pursuant to Article III or other provisions of this Agreement, and

(iv) all items of income and gain specially allocated to such JV Partner pursuant to Section 3.2.

(d) The Capital Account of each JV Partner will be decreased by:

(i) the amount of cash distributed to such JV Partner as a distribution with respect to the Joint Venture;

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(ii) the Carrying Value of all actual and deemed distributions of Property made to such JV Partner as a distribution with respect to the Joint Venture pursuant to this Agreement (net of Liabilities secured by such distributed Property that the JV Partner is considered to assume or take subject to under Code Section 752);

(iii) all items of Net Loss allocated to such JV Partner pursuant to Article III or other provisions of this Agreement; and

(iv) all items of deduction, expense or loss specially allocated to such JV Partners pursuant to Section 3.2.

(e) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b)(2)(iv), and will be interpreted and applied in a manner consistent with such Regulations Section. To the extent such provisions are inconsistent with such Regulations Section or are incomplete with respect thereto, Capital Accounts will be maintained and adjustments thereto will be made in accordance with such Regulations Section; provided, however, that no such adjustment will have any effect on the amount distributable hereunder to any JV Partner.

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ARTICLE III

ALLOCATIONS AND DISTRIBUTIONS

Section 3.1 Allocation of Net Profits and Losses

(a) Except as otherwise provided in this Article III, Net Profits and Net Loss of the Joint Venture in each Fiscal Year will be allocated among the JV Partners in accordance with their respective Ordinary JV Interests.

(b) Notwithstanding Section 3.1(a) above, Net Profits with respect to each of the first eight Fiscal Quarters of the Joint Venture will be allocated among the JV Partners as follows:

(i) with respect to the first four Fiscal Quarters of the Joint Venture, Net Profits will be allocated one hundred percent (100%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests); provided that, if P&G Sub exercises the P&G Option on or prior to the first day of any such Fiscal Quarter, Net Profits for such Fiscal Quarter will be allocated (subject to adjustment pursuant to Section 2.6(f)) ninety percent (90%) to the Clorox Partners (pro rata in accordance with their respective JV Interests) and ten percent (10%) to the P&G Partners (pro rata in accordance with their respective Ordinary JV Interests);

(ii) with respect to the fifth through eighth Fiscal Quarters of the Joint Venture, Net Profits will be allocated (subject to adjustment pursuant to Section 2.6(f)) ninety-five percent (95%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests) and five percent (5%) to the P&G Partners (pro rata in accordance with their respective Ordinary JV Interests); provided that, if P&G Sub exercises the P&G Option on or prior to the first day of any such Fiscal Quarter, Net Profits for such Fiscal Quarter will be allocated (subject to adjustment pursuant to Section 2.6(f)) eighty-five percent (85%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests) and fifteen percent (15%) to the P&G Partners (pro rata in accordance with their respective Ordinary JV Interests); and

(iii) notwithstanding the provisions of Section 3.1(b)(i) and (ii) above, Net Profits with respect to any sale, transfer or other disposition of any business or assets of the Glad Business outside the ordinary course of the Glad Business during the first eight Fiscal Quarters will be allocated among the JV Partners pro rata in accordance with their respective Ordinary JV Interests.

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Section 3.2 Special Allocations.

For purposes of the following provisions of this Section 3.2, the Clorox Partners will be regarded as a single JV Partner with a single Capital Account. Notwithstanding anything contained herein to the contrary:

(a) If a JV Partner would at any time receive, but for this Section 3.2(a), an allocation of deduction, loss, or expenditure that would cause or increase a deficit balance in such JV Partner's Capital Account in excess of any amount of such deficit balance that the JV Partner is obligated to restore or deemed obligated to restore (as determined in accordance with Treasury Regulation Section 1.704-1(b)(2)(ii)(c)), then the portion of such allocation that would cause or increase such deficit Capital Account balance will be specially allocated to the other JV Partners, if any, with positive Capital Account balances in proportion to such balances. The loss limitation under this Section 3.2(a) is intended to comply with Treasury Regulation Section 1.704-1(b)(2)(ii)(d), including the reductions described in subparagraphs (4), (5) and (6) therein.

(b) If in any Fiscal Year a JV Partner receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Joint Venture income and gain will be specially allocated to each such JV Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Capital Account deficit of such JV Partner as quickly as possible provided that an allocation pursuant to this Section 3.2(b) will be made only if and to the extent that such JV Partner would have a Capital Account deficit after all other allocations provided for in this Article III have been tentatively made as if this Section 3.2(b) were not in the Agreement. This Section 3.2(b) is intended to qualify and be construed as a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and will be interpreted consistently therewith.

(c) If there is a net decrease in minimum gain attributed to the Joint Venture or JV Partner nonrecourse debt minimum gain (determined in accordance with the principles of Treasury Regulation Sections 1.704-2(d) and 1.704-2(i)) during any Joint Venture taxable year, the JV Partners will be allocated items of income and gain attributed to the Joint Venture for such year (and, if necessary, subsequent years) in an amount equal to their respective shares of such net decrease during such year, determined pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated will be determined in accordance with Treasury Regulation Section 1.704-2(f). This Section 3.2(c) is intended to comply with the minimum gain chargeback requirements in such Treasury Regulations and will be interpreted consistently therewith, including that no chargeback will be required to the extent of the exceptions provided in Treasury Regulation Sections 1.704-2(f) and 1.704-2(i)(4).

(d) The allocation provisions set forth in this Article III and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1(b) and will be interpreted and applied in a manner consistent with such Regulations; provided however that such provisions will not affect the economic rights of any JV Partner, including rights to distributions with respect to the Joint Venture.

(e) Any special allocations of items of income, gain, loss or deductions pursuant to Sections 3.2(a), (b) and (c) will be taken into account in computing subsequent allocations pursuant to Section 3.1 and this Section 3.2, so that the net amount of any items so allocated will, to the extent possible, be equal to the net amount that would have been allocated to each such JV Partner pursuant to the provisions of this Article III if such special allocations had not occurred.

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(f) In the event that any fees, interest, or other amounts paid to any JV Partner or any Affiliate thereof pursuant to this Agreement or any other agreement attributed to the Joint Venture with any JV Partner or Affiliate thereof providing for the payment of such amount, and deducted by the Joint Venture in reliance on Section 707(a) and/or 707(c) of the Code, are disallowed as deductions to the Joint Venture on its federal income tax return and are treated as Joint Venture distributions, then:

(i) the Net Profits or Net Loss, as the case may be, for the Fiscal Year in which such fees, interest, or other amounts were paid will be increased or decreased, as the case may be, by the amount of such fees, interest, or other amounts that are treated as Joint Venture distributions; and

(ii) there will be allocated to the JV Partner to which (or to whose Affiliate) such fees, interest, or other amounts were paid, prior to the allocations pursuant to Section 3.1, an amount of gross income for the Fiscal Year equal to the amount of such fees, interest, or other amounts that are treated as Joint Venture distributions.

(g) Prior to the allocation of Net Profits and Net Losses pursuant to Section 3.1, the following allocations shall be made for each Fiscal Year:

(i) The holder of the Class A Interest will be specially allocated royalty income attributable to royalty payments made under the Glad License Agreements for such Fiscal Year in an amount of royalty payments [* * *] to the aggregate amounts distributable to the holder of the Class A Interest under Section 3.5(b)(i) hereof (without regard to distributions treated as guaranteed payments under such Section) in each Fiscal Quarter in such Fiscal Year. Royalty income allocated to the Class A Interest hereunder will be allocated among the various sources of such royalty income in the same manner as withholding taxes are calculated under the definition of "Deemed Withholding Taxes". The holder of the Class A Interest will also be specially allocated income for such Fiscal Year in an [* * *] of the IP Allocation Amounts with respect to IP Acquisitions for such Fiscal Year and will be specially allocated all income attributable to Glad License Termination Amounts paid for such Fiscal Year;

(ii) After the allocations pursuant to Section 3.2(g)(i) are made, the holder of the Class B Interest will be specially allocated royalty income attributable to royalty payments made under the Glad License Agreements for such Fiscal Year in an amount [* * *] royalty payments received under the Glad License Agreements for such Fiscal Year, [* * *] the amount of royalty income allocated to the Class A Interest under Section 3.2(g)(i) for such Fiscal Year. The holder of the Class B Interest will also be specially allocated income for such Fiscal Year [* * *] IP Acquisition Prices with respect to IP Acquisitions, if any, for such Fiscal Year in excess of the aggregate IP Allocation Amounts included in the calculation of the Class A Special Amount and the Class C Special Amount for each Fiscal Quarter in such Fiscal Year;

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(iii) The holder of the Class C Interest will be specially allocated royalty income attributable to royalty payments made under the JV Sublicense Agreements in such Fiscal Year in an amount of royalty payments [* * *] royalty payments received under the JV Sublicense Agreements for such Fiscal Year. The holder of the Class C Interest will also be specially allocated income for such Fiscal Year in an amount [* * *] of the IP Allocation Amounts with respect to IP Acquisitions for such Fiscal Year and will be specially allocated [* * *] attributable to JV Sublicense Termination Amounts paid for such Fiscal Year;

(iv) The Clorox Partners will be specially allocated all deductions arising from the payment of guaranteed payments pursuant to Section 3.5(a) and Section 3.5(b) hereof in such Fiscal Year and shall be specially allocated [* * *] attributable to Prohibited License Amounts received on behalf of the Joint Venture in such Fiscal Year; and

(v) Each JV Partner will be specially allocated all deductions arising from the amortization of organizational expenses (within the meaning of Section 709(b) of the Code) incurred by such JV Partner on behalf of the Joint Venture.

Section 3.3 Section 704(c) Allocation.

(a) For income tax purposes only, each item of income, gain, loss, and deduction with respect to any Property, the Carrying Value of which differs from its adjusted tax basis for federal income tax purposes, will be allocated in accordance with the principles of Section 704(c) of the Code so as to take into account the variation between the adjusted tax basis of such Property and its Carrying Value. For purposes of applying the principles of Section 704(c) of the Code, the Joint Venture will use the traditional method described in Treasury Regulation Section 1.704-3(b) or such other methods as the JV Partners unanimously agree.

(b) Subject to the provisions of Section 3.3(a), items of income, gain, loss, deduction and credit to be allocated for income tax purposes will be allocated for each Fiscal Year among the JV Partners in the same manner and on the same basis as Net Profits and Net Loss are allocated, taking into account special allocations made pursuant to Section 3.2.

Section 3.4 Distributions of Available Cash Flow.

(a) After making distributions of Distributable Cash Flow pursuant to Section 3.4(c) for any Fiscal Quarter, all remaining Distributable Cash Flow attributed to the Joint Venture for such Fiscal Quarter will be distributed by the Clorox Partners in accordance with this Section 3.4(a). If Available Cash Flow as shown in the Quarterly Financials for any Fiscal Quarter results in the Distributable Cash Flow for that Fiscal Quarter being a positive number, a distribution with respect to such Fiscal Quarter will be made by the Clorox Partners to the P&G Partners within three (3) Business Days after delivery of such Quarterly Financials and each Clorox Partner will be deemed to have received a distribution on that same date. All distributions made by the Clorox Partners pursuant to this Section 3.4 will be in [* * *] to the account designated by the P&G Partners to Clorox in writing. Except as otherwise provided in this Section 3.4 or Article VI, all distributions of Distributable Cash Flow from any Fiscal Quarter will be made to the JV Partners pro rata in accordance with their respective Ordinary JV Interests as of the last day of such Fiscal Quarter so that the amount distributed to the P&G Partners will equal its Ordinary JV Interest as of such day multiplied by the aggregate amount of Distributable Cash Flow.

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(b) Notwithstanding the provisions of Section 3.4(a), after making distributions of Distributable Cash Flow pursuant to Section 3.4(c),

(i) with respect to the first four Fiscal Quarters of the Joint Venture, the remaining Distributable Cash Flow will be distributed one hundred percent (100%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests); provided that if the P&G Partners exercise the P&G Option on or prior to the first day of any such Fiscal Quarter, such Distributable Cash Flow for such Fiscal Quarter will be distributed (subject to adjustment pursuant to Section 2.6(f)) ninety percent (90%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests) and ten percent (10%) to the P&G Partners;

(ii) with respect to the fifth through eighth Fiscal Quarters of the Joint Venture, the remaining Distributable Cash Flow will be distributed (subject to adjustment pursuant to Section 2.6(f)) ninety-five percent (95%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests) and five percent (5%) to the P&G Partners; provided that if the P&G Partners exercises the P&G Option on or prior to the first day of any such Fiscal Quarter, such Distributable Cash Flow for such Fiscal Quarter will be distributed (subject to adjustment pursuant to Section 2.6(f)) eighty-five percent (85%) to the Clorox Partners (pro rata in accordance with their respective Ordinary JV Interests) and fifteen percent (15%) to P&G Partners; and

(iii) notwithstanding the provisions of Section 3.4(b)(i) and (ii) above, distributions of Distributable Cash Flow consisting of the net cash proceeds of any sale, transfer or other disposition of any business or assets of the Glad Business outside the ordinary course of the Glad Business during the first eight Fiscal Quarters will be made to the JV Partners pro rata in accordance with their respective Ordinary JV Interests as of the last day of such Fiscal Quarter.

(c) Prior to any distributions of Distributable Cash Flow under Sections 3.4(a) or 3.4(b), Distributable Cash Flow for any Fiscal Quarter will be distributed in accordance with this Section 3.4(c) in the following order of priority:

(i) In the event of one or more International Acquisitions that have related IP Acquisitions in a Fiscal Quarter, the holder of the Class C Interest will be entitled to a distribution with respect to such Fiscal Quarter of Distributable Cash Flow in an amount equal to the sum of the aggregate IP Allocation Amounts with respect to all such International Acquisitions in such Fiscal Year (the “Class C Special Amount”);

(ii) In the event of one or more International Acquisitions that have related IP Acquisitions in a Fiscal Quarter, the holder of the Class A Interest will also be entitled to a distribution with respect to such Fiscal Quarter of Distributable Cash Flow equal to the sum of the aggregate IP Allocation Amounts with respect to all such International Acquisitions in such Fiscal Quarter (the “Class A Special Amount”);

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(iii) The holder of the Class B Interest will be entitled to a distribution with respect to each Fiscal Quarter of Distributable Cash Flow in an amount equal to the aggregate royalty payments received under the Glad License Agreements (net of withholding taxes imposed on such royalty payments) for such Fiscal Quarter, minus the amount distributable to the holder of the Class A Interest under Section 3.5(b)(i) for such Fiscal Quarter;

(iv) The holder of the Class B Interest will be entitled to a special distribution with respect to each Fiscal Quarter of Distributable Cash Flow equal to the aggregate IP Acquisition Prices, if any, for such Fiscal Quarter, less the sum of the Class A Special Amount and the Class C Special Amount for such Fiscal Quarter; and

(v) In the event there is insufficient Distributable Cash Flow in any Fiscal Quarter to pay the amounts otherwise distributable under this Section 3.4(c) (a “Distribution Shortfall”), there shall be a priority distribution of Distributable Cash Flow in the next succeeding Fiscal Quarter in the amount of such Distribution Shortfall (and all prior Distribution Shortfalls to the extent a distribution has not been made with respect to any such Distribution Shortfall under this Section 3.4(c)(v)) in the order of priority set forth in this Section 3.4(c) to the Parties who were the holders of the Class A Interest, Class B Interest and Class C Interest at the time of such Distribution Shortfall. Notwithstanding anything set forth in this Section 3.4 to the contrary, distributions under this Section 3.4(c)(v) shall be made before any distributions are made under Sections 3.4(c)(i) through (iv), inclusive, for a Fiscal Quarter.

Any distributions of Distributable Cash Flow pursuant to this Section 3.4(c) will reduce the amount of Distributable Cash Flow available for distribution pursuant to Section 3.4(a) and 3.4(b) hereof.

(d) To the extent there are any outstanding Parent Loans, and there is Available Cash Flow in any Fiscal Quarter, then all Available Cash Flow will be immediately applied towards outstanding Parent Loans and accrued and unpaid interest thereon until all Parent Loans and accrued interest thereon will have been repaid in full. As long as any Parent Loans remain outstanding, no distributions will be made pursuant to this Section 3.4 in respect of the JV Interests.

(e) The Parties acknowledge that it is expected that the Glad Global Business will participate in Clorox’s centralized cash management system and that any cash generated by the Glad Global Business may be used by Clorox in its discretion, subject to the other provisions of this Agreement and the Related Agreements.

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Section 3.5 Distributions of IP Related Amounts .

The holders of the Class C Interest and the Class A Interest shall be entitled to distributions of the following amounts received under the JV Sublicense Agreements and the Glad License Agreements, which amounts shall be distributed or paid, as the case may be, by the Clorox Partners on behalf of the Joint Venture in the order and priority set forth below for any Fiscal Quarter:

(a) The holder of the Class C Interest will be entitled to distributions of (i) all royalties paid under the JV Sublicense Agreements for such Fiscal Quarter (net of withholding taxes imposed on such royalty payments), and (ii) all JV Sublicense Termination Amounts paid under the JV Sublicense Agreements for such Fiscal Quarter (net of withholding taxes imposed on such JV Sublicense Termination Amounts). In the event the foregoing amounts payable under any JV Sublicense Agreement are not permitted to be paid as a result of legal restrictions in a local jurisdiction of an International Licensee, the holder of the Class C Interest shall be entitled to receive, and the Clorox Partners on behalf of the Joint Venture shall cause to be paid, an amount equal to the shortfall (reduced by any withholding taxes that would have been imposed had the full amounts due actually been paid by the International Licensee). The amount of such payment shall be treated as a guaranteed payment under Section 707(c) of the Code. For the avoidance of doubt, no P&G Partner shall be required to contribute or otherwise fund, directly or indirectly, such guaranteed payments. If the International Licensee is later permitted by the local jurisdiction to make royalty payments that were previously prohibited, the amount of such payments received shall be distributed to the Clorox Partners.

(b) The holder of the Class A Interest will be entitled to distributions of (i) royalties paid under the Glad License Agreements for such Fiscal Quarter in an amount equal to the Class A Royalty Amount (or, in the event the aggregate royalty payments paid under the Glad License Agreements for such Fiscal Quarter (net of withholding taxes imposed on such royalty payments) are less than the Class A Royalty Amount, such lesser amount of royalty payments) and (ii) all Glad License Termination Amounts paid under the Glad License Agreements for such Fiscal Quarter (net of withholding taxes imposed on such amounts). In the event the P&G Option has been exercised, to the extent (x) the aggregate royalty payments under the Glad License Agreements for a Fiscal Quarter are less than the Class A Royalty Amount for such Fiscal Quarter or (y) Glad License Termination Amounts are not permitted to be paid as a result of legal restrictions in a local jurisdiction of an International Licensee, the holder of the Class A Interest will be entitled to receive, and the Clorox Partners on behalf of the Joint Venture shall cause to be paid an amount equal to such shortfall (in the case of clause (y), reduced by any withholding taxes that would have been imposed had the full amounts due actually been paid by the International Licensee). The amount of such payment shall be regarded as a guaranteed payment under Section 707(c) of the Code. For the avoidance of doubt, no P&G Partner shall be required to contribute or otherwise fund, directly or indirectly, such guaranteed payments. If the International Licensee is later permitted by the local jurisdiction to make royalty payments that were previously prohibited, the amount of such payments received shall be distributed to the Clorox Partners (such amounts, together with the amounts described in the last sentence of Section 3.5(a) hereof, shall be referred to as "Prohibited License Amounts").

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of all the Parties .

Each of the Clorox Parties hereby jointly and severally represents and warrants to the P&G Parties with respect to each Glad Party, and each of the P&G Parties hereby jointly and severally represents and warrants to each of the Clorox Parties with respect to each of the P&G Parties, as follows, in each case subject to the exceptions set forth on the Clorox Disclosure Schedule, or the P&G Disclosure Schedule, as applicable:

(a) Organization and Authority . Such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has the requisite power and authority to own, lease and operate its properties and to conduct its business as now conducted by it. Such Party has all requisite power and authority to enter into this Agreement and the Related Agreements to which it is a party and to perform its obligations hereunder and thereunder. Such Party is qualified to do business and is in good standing as a foreign corporation, partnership or other entity, as applicable, in all jurisdictions in which it conducts its business, except where the failure to be so qualified does not and will not, individually or in the aggregate, have a Material Adverse Effect.

(b) Authorization . The execution, delivery and performance by such Party of this Agreement and the Related Agreements, in each case to which it is a party, and the consummation by such Party of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of such Party. This Agreement has been, and each of the Related Agreements will on the Closing Date be, in each case to which it is a party, duly executed and delivered by such Party and constitutes or, in the case of the Related Agreements, upon execution thereof by all other appropriate parties will constitute, a valid and legally binding obligation of such Party, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding at equity or at law) and an implied covenant of good faith and fair dealing.

(c) Consents and Approvals; No Conflicts . The execution, delivery and performance by such Party of this Agreement and the Related Agreements, in each case to which it is a party, and the consummation by such Party of the transactions contemplated hereby and thereby will not (i) conflict with or result in a breach of any provision of the charter or bylaws (or equivalent governing documents) of such Party, (ii) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (iii) require the consent or approval of any Person (other than a Governmental Authority) or violate or conflict with, or result in a breach of any provision of, constitute a default (or an event which with notice or lapse of time or both would become a default) or give to any third party any right of termination, cancellation, amendment or acceleration under, or result in the creation of a Lien on any of the assets attributed to the Joint Venture under, any of the terms, conditions or provisions of any contract or license to which such Party is a party or by which it or its assets or property are bound, or (iv) violate or conflict with any order, writ, injunction, decree, statute, rule or regulation applicable to such Party; other than any matters described in clauses (ii), (iii) and (iv) above which, individually or in the aggregate, do not and will not have a Material Adverse Effect.

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(d) Certain Fees. Neither such Party nor any of its officers, directors or employees, on behalf of such Party, has employed any broker or finder or incurred any other Liability for any brokerage fees, commissions or finders' fees in connection with transactions contemplated hereby.

Section 4.2 Representations and Warranties of the Clorox Parties.

Each of the Clorox Parties hereby jointly and severally represents and warrants to the P&G Parties as follows, in each case subject to the exceptions set forth on the Clorox Disclosure Schedule:

(a) Financial Statements.

(i) The Glad Financial Statements were derived from the books and records of the Glad Business. The Glad Balance Sheet has been prepared in accordance with the methodologies set forth in the PWC Report consistently applied. The income statement included in the Glad Financial Statements has been prepared in accordance with the JV Accounting Principles. The application of the JV Accounting Principles will not affect the statement of results of operations included in the Glad Financial Statements. The Glad Financial Statements fairly and truly present in accordance with the JV Accounting Principles the financial position of the Glad Business as at June 30, 2002 and the results of its operations for the year then ended, before deductions for any income Taxes and after certain internal adjustments indicated in the notes thereto.

(ii) As of the Closing, the Glad Business will have sufficient Working Capital to operate the Glad Business after the Closing in the ordinary course consistent with past practice. For purposes hereof, "Working Capital" is calculated as (i) the current assets of the Glad Business attributed to the Joint Venture minus (ii) the current Liabilities of the Glad Business attributed to the Joint Venture, prepared and calculated as provided in the immediately preceding sentence.

(iii) Except as and to the extent disclosed in the Glad Balance Sheet and, except for Liabilities incurred in connection with the transactions contemplated by this Agreement and the Related Agreements, there are no Liabilities of the Glad Business, that would be required to be reflected on, or reserved against, in a consolidated balance sheet of the Glad Business in accordance with the JV Accounting Principles, except for (x) Liabilities which, singly or in the aggregate, do not and will not have a Material Adverse Effect, and (y) Liabilities incurred subsequent to the date of such balance sheet by the Glad Business in the ordinary course of business consistent with past practice.

(iv) Any hedge arrangements included in the Liabilities to be attributed to the Glad Global Business pursuant to Section 2.2(a)(iii)(c) relate to the underlying business operations of the Glad Global Business and are not held for speculative purposes.

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(v) Clorox has filed on a timely basis all forms, reports and documents required to be filed with the United States Securities and Exchange Commission (the “SEC”) since July 1, 2001 (all forms, reports and documents filed by Clorox with the SEC since July 1, 2001 are referred to herein as the “SEC Documents”). The SEC Documents (A) complied as to form in all material respects with the requirements of the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, as the case may be, and the rules and regulations thereunder, each as in effect on the date so filed or amended, and (B) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vi) The most recent audited annual financial statements and unaudited quarterly financial statements included in the SEC Documents were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or in the SEC Documents), and each fairly presents the consolidated financial position of Clorox and its Subsidiaries at the respective dates thereof and the consolidated results of their operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments and do not contain all of the footnote disclosures required by GAAP.

(vii) Each of the balance sheets set forth in the PWC Report with respect to the Glad Existing International Business in Canada, Australia and New Zealand (the “Existing International Balance Sheets”) has been prepared in accordance with the methodologies set forth in the PWC Report consistently applied, and is accurate based on such methodologies. The application of the JV Accounting Principles to the Existing International Balance Sheets will not affect the statement of results of operations included in the PWC Report with respect to the Glad Existing International Business in Canada, Australia and New Zealand. The income statements included in the PWC Report with respect to the Glad Existing International Business in Canada, Australia and New Zealand fairly and truly present in accordance with the JV Accounting Principles the results of operations of the Glad Existing International Business in such countries in accordance with the JV Accounting Principles, excluding costs included therein that would be charged through the Clorox Services in accordance with Exhibit F.

(viii) There are no Liabilities of the Glad Existing International Business in South Africa, Costa Rica, Hong Kong, Philippines and Korea, singly or in the aggregate, which, in light of the business, properties, assets and cash flow of the Glad Existing International Business in such countries, do or will have a material adverse effect upon the business, properties, financial condition or results of operations of the Glad Existing International Business or a Material Adverse Effect.

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(b) Absence of Certain Changes or Events. Since June 30, 2002, the Glad Parties have conducted the Glad Global Business in all material respects only in the ordinary course, consistent with past practice and except as reflected in the Glad Financial Statements, since such date there has not been, prior to the date hereof, (i) any material adverse change in the business, properties, financial condition or results of operations of the Glad Global Business, except as may arise from or relate to changes in general economic conditions in the geographic regions in which the Glad Global Business operates or (ii) any damage, destruction, loss, conversion, condemnation or taking by eminent domain related to any material property or assets of the Glad Global Business except for such matters that, individually or in the aggregate, do not and will not have a Material Adverse Effect related to the Glad Global Business.

(c) Sufficiency of and Title to Properties; Absence of Liens and Encumbrances. The Clorox Parties and their Subsidiaries have good title to all properties, assets and other rights reflected as owned by the Clorox Parties on the Glad Balance Sheet or acquired after the date of such Glad Balance Sheet and prior to the Closing Date, as well as all other properties, assets and other rights included in the Clorox Contribution, free and clear of all Liens (other than Permitted Liens), except for any such properties, assets or other rights sold, transferred or otherwise disposed of after the date of the Glad Balance Sheet and prior to the Closing in the ordinary course of the Glad Business and not in violation of Section 7.7 hereof. The Glad Parties and their Subsidiaries will own or have the right to use all properties, assets and other rights used to generate the income reflected in the income statements included in the PWC Report with respect to the Glad Existing International Business except for any such properties, assets or other rights sold, transferred or otherwise disposed of after the date of such income statements and prior to the Closing in the ordinary course of the Glad Existing International Business and not in violation of Section 7.7 hereof.

(d) Properties, Contracts, Permits and Other Data. All rights, licenses, leases, registrations, applications, contracts, commitments and other agreements of the Glad Global Business or by which the assets used in the Glad Global Business are bound are in full force and effect and are valid and enforceable in accordance with their respective terms except for such failures to be in full force and effect and valid and enforceable that do not and will not, individually or in the aggregate, have a Material Adverse Effect. The Glad Parties are not in breach or default in the performance of their obligations thereunder with respect to the Glad Global Business and no event has occurred or has failed to occur whereby any of the other parties thereto have been or will be released therefrom or will be entitled to refuse to perform thereunder, except for such matters which do not and will not individually or in the aggregate, a Material Adverse Effect.

(e) Real Property. With respect to any real property owned by the Glad Parties and used in the Glad Global Business (the “Owned Real Property”), the Glad Parties have good title to such parcel, free and clear of all Liens, except for Permitted Liens, and (i) there are no leases, subleases, licenses or agreements granting to any party or parties the right of use or occupancy of any portion of such Owned Real Property; and there are no outstanding options or rights of first refusal to purchase such parcel, or any portion thereof or interest therein, in each case except as, individually or in the aggregate, do not and will not have a Material Adverse Effect. With respect to any real property leased by the Glad Parties and used in the Glad Global Business (the “Leased Real Property”), none of the Glad Parties has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold under any Leased Real Property and there are no leases, subleases, licenses or agreements granting to any third party or parties the right of use or occupancy of any portion of any Leased Real Property, in each case except as do not and will not have a Material Adverse Effect.

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(f) Legal Proceedings. As of the date of this Agreement, there is no material litigation, proceeding or governmental investigation to which any Glad Party is a party pending or, to the knowledge of the Clorox Parties, threatened against the Glad Parties or their respective Subsidiaries arising out of or related to the Glad Global Business or assets used in the Glad Global Business or the transactions contemplated by this Agreement or which seeks to restrain or enjoin the consummation of any of the transactions contemplated hereby. The Glad Parties are not a party to with respect to the Glad Global Business, nor are the assets used in the Glad Global Business subject to, any material judgment, writ, decree, injunction or order entered by any court or Governmental Authority (domestic or foreign).

(g) Labor Controversies. (i) There have been no labor strikes, slow-downs, work stoppages or lock-outs during the past three years, nor is any such strike, slow-down, work stoppage or lock-out pending or, to the knowledge of the Clorox Parties, threatened with respect to the current or former employees of the Glad Parties performing services with respect to the Glad Global Business and (ii) the Glad Parties are not party with respect to the Glad Global Business to any collective bargaining agreement, contract, letter of understanding or, to the knowledge of the Clorox Parties, any other agreement, formal or informal with any labor union or organization.

(h) Intellectual Property and Technology. The Glad Parties own, or are licensed to use, all Intellectual Property used in the Glad Global Business as of the date hereof and as used during the [***]. The patents and trademarks used in the Glad Global Business are unexpired and have not been abandoned other than pursuant to a reasonable business decision made in the ordinary course of business. The patents and trademarks of the Glad Global Business are valid and enforceable. To the knowledge of the Clorox Parties, the Intellectual Property used in the Glad Global Business is not being Infringed by any third party. The conduct of the Glad Global Business, including the use or practice of the patents in the Glad Global Business and the use of the trademarks in the Glad Global Business, consistent with past practice during the [***] does not Infringe upon or misappropriate the Intellectual Property of any third party. Except as expressly provided in the [***] none of the rights of Clorox or its Affiliates to any Intellectual Property used in the Glad Global Business will be impaired by the transactions provided for herein. There are no currently pending claims (whether private or governmental) against any of the Glad Parties, or to their knowledge threatened, that seek to limit their right to use any of the Intellectual Property used by the Glad Parties in conducting the Glad Global Business or alleging that the use of any Intellectual Property by the Glad Parties does not comply with any governmental regulation, or that seek to cancel or question the validity, enforceability, ownership or use of any Intellectual Property used in the Glad Global Business. The Glad Parties have taken all reasonable steps to protect, maintain and safeguard the Intellectual Property used in the Glad Global Business. The food storage, bags, wraps and container products of the Glad Business contain only substances that are food-contact safe as determined by the United States Food and Drug Administration (“FDA”) and do not contain any other substances that require approval of the FDA or any other Governmental Authority.

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(i) Government Licenses, Permits, Etc. The Glad Parties have all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities required for the conduct of the Glad Global Business as presently conducted by the Glad Parties consistent with past practice, except where failure does not and will not, individually or in the aggregate, have a Material Adverse Effect.

(j) Conduct of Business in Compliance with Regulatory and Contractual Requirements. The Glad Parties have complied in conducting the Glad Global Business with all applicable laws, ordinances, regulations or orders or other requirements of any Governmental Authority, including all rules, regulations and administrative orders relating to anti-competitive practices, discrimination, employment, health and safety, except for such matters which do not and will not have, individually or in the aggregate, a Material Adverse Effect.

(k) Environmental Matters. Except for matters that, individually or in the aggregate, do not and will not have a Material Adverse Effect, (i) there are no Materials of Environmental Concern at any property owned or leased by the Glad Parties and used in the conduct of the Glad Global Business that have or will give rise to any Liability under any Environmental Law; and (ii) no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under any Environmental Law to which any Glad Party is, or to the knowledge of the Clorox Parties will be, named as a party is pending or, to the knowledge of the Clorox Parties, threatened with respect to the Glad Global Business.

(l) Tax Matters.

Except for matters that, individually or in the aggregate, do not and will not, have a Material Adverse Effect:

(i) (x) the Glad Parties have (A) duly and timely filed with the appropriate tax authority all Tax returns required to be filed by or with respect to the Glad Global Business, and (B) paid in full all Taxes due by or in respect of the Glad Global Business for all periods; and (y) the Glad Parties have, in respect of the Glad Global Business, properly withheld amounts for Taxes from its employees and has made all remittances of amounts required to be withheld and, with respect to such employees, has filed all Tax returns and reports required to be filed with any tax authority;

(ii) there is no existing Tax audit or proceeding between any Glad Party and any Tax authority with respect to, or which may have an effect on, the Glad Global Business; there are no claims for Taxes that have been asserted or proposed in writing against any Glad Party with respect to, or which may have an effect on, the Glad Global Business; and

(iii) there are no Liens for Taxes, nor any pending or threatened Liens for Taxes, upon any property or assets of the Glad Global Business, except for Liens for current Taxes not yet due.

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(m) Entire Business. Except for (i) the Clorox Excluded Assets, (ii) the properties, assets and other rights used by Clorox and its Subsidiaries to conduct the Clorox Services and (iii) the properties, assets and other rights used by the Glad Parties to conduct the Glad Existing International Business, the Clorox Contribution constitutes all of the properties, assets, contracts and other rights necessary for the conduct of the Glad Global Business as currently conducted by the Glad Parties consistent with past practice.

(n) Affiliate Transactions. Except for transactions and other matters subject to the JV Accounting Principles or the Related Agreements and for the Clorox Services, there are no agreements, arrangements, undertakings or other transactions between the Glad Global Business and any other business or division of Clorox, except for transactions in the ordinary course of business on terms comparable in all material respects to those that it would obtain in a comparable arm's length transaction with a third party that is not an Affiliate.

(o) Employee Benefit Matters. Each employee benefit plan, severance, change-in-control or employment plan, program or agreement, stock option, bonus plan, or incentive plan or program of the Glad Parties with respect to employees engaged in conducting the Glad Global Business (such plans, the "Clorox Benefit Plans") has been administered and is in compliance with the terms of such Clorox Benefit Plan and all applicable laws, rules and regulations except where the failure thereof does not and will not, individually or in the aggregate, result in Liability that has or will have a Material Adverse Effect. No litigation or administrative or other proceeding involving any Clorox Benefit Plan has occurred or, to the knowledge of the Clorox Parties, is threatened where an adverse determination would result in Liability that has or will have a Material Adverse Effect.

(p) Insurance. The Glad Parties have insurance policies with respect to the assets and Liabilities attributed to the Glad Global Business that are of the type and in amounts that are adequate to protect and conduct the Glad Global Business. There is no material claim by Clorox or any of its Subsidiaries pending under any of such insurance policies.

Section 4.3 Representations and Warranties of P&G.

Each of the P&G Parties hereby jointly and severally represents and warrants to the Clorox Parties as follows, subject to the exceptions set forth on the P&G Disclosure Schedule:

(a) P&G Equipment. The P&G Parties or their Affiliates have, and at the Closing the Clorox Parties will receive, good and marketable title to the P&G Equipment, free and clear of all Liens except for Permitted Liens. The P&G Equipment is in good condition and, to the extent installed, has been reasonably maintained consistent with standards generally followed in the industry, and is suitable for use as it is currently used and as currently expected to be used in connection with the Glad Global Business after the Closing.

(b) Legal Proceedings. As of the date of this Agreement, there is no material litigation, proceeding or governmental investigation to which the P&G Parties or their Affiliates is a party pending or, to the knowledge of the P&G Parties, threatened against P&G or its Subsidiaries or relating to the P&G Equipment or the transactions contemplated by this Agreement or which seeks to restrain or enjoin the consummation of any of the transactions contemplated hereby. None of the P&G Parties is a party to, nor is the P&G Equipment subject to, any material judgment, writ, decree, injunction or order entered by any court or Governmental Authority (domestic or foreign).

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Section 4.4 Survival of Representations and Warranties

The representations and warranties given by the Parties in this Article IV and contained in the certificates delivered pursuant to Article VIII will survive until the eighteen (18) month anniversary of the Closing Date, at which time such representations and warranties will terminate and have no further force or effect except for any claim of breach that has been made in writing to Clorox (in the case of any breach of representation or warranty by the Clorox Parties) or the P&G Parties (in the case of any breach of representation or warranty by the P&G Parties) prior to such termination.

ARTICLE V

GOVERNANCE

Section 5.1 Board of Managers.

(a) The day-to-day business of the Joint Venture will be managed by the Clorox Partners, under the direction and control of the board of managers of the Joint Venture (the "Board"). The Board will consist of five (5) managers or such other number (but in no event fewer than three (3)) as may be established from time to time by the Board. The Clorox Partners and the P&G Partners will be entitled to representation on the Board in proportion to their respective JV Interests, provided that the number of managers that each of the Clorox Partners (together) and the P&G Partners (together) may appoint will be rounded to the nearest whole number. Notwithstanding the foregoing, during the Term, the P&G Partners (together) will have the right to appoint at least one member of the Board. The remaining members of the Board will be appointed by the Clorox Partners, provided that, in the event the total number of members is adjusted, the Clorox Partners will in all cases have the right to appoint a majority of the Board. In the event the P&G Partners exercise the P&G Option, the P&G Partners' representation on the Board will be adjusted, if necessary, so as to comply with this Section 5.1(a). Each JV Partner will have the right to remove and designate replacements of those members of the Board appointed by it, and each JV Partner agrees to take any actions necessary to cause such designations or removals in accordance with this Section 5.1 to be given immediate effect, and to give effect to decisions of the Board validly taken in accordance with the terms hereof. The initial Board will consist of Warwick Every-Burns, Wayne Delker, Greg Frank and Larry Peiros as the Clorox Partners' appointees and Robert McDonald as the P&G Partners' appointee. Replacement Board members designated by the P&G Partners will be reasonably acceptable to Clorox. The Board will appoint by majority vote one of its members appointed by the Clorox Partners to preside at meetings of the Board.

(b) The P&G Partners will also be entitled to designate in writing to Clorox up to two (2) representatives reasonably satisfactory to Clorox to attend all meetings of the Board in a nonvoting observer capacity (the "P&G Observers"). Such representatives will receive copies of all notices, minutes, consents, and other materials as and when provided to the members of the Board, provided that all such representatives must agree to be bound by the same policies and agreements relating to confidentiality with respect to information concerning the Joint Venture as apply to the members of the Board appointed by the P&G Partners.

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(c) Notwithstanding the foregoing, the provisions of this Article V will not entitle any Person to receive any information from any Clorox Partner in the event and to the extent that: (i) such information would be subject to attorney-client or other legally-recognized privilege except for its being provided to such Person and (A) based on the reasonable advice of its counsel the Clorox Partner determines that such privilege would no longer be available in the event the information was disclosed to such Person and (B) the Clorox Partner desires to retain the availability of such privilege with respect to such information, (ii) such information is subject to confidentiality obligations of the Clorox Partners to third parties, which obligations existed prior to the date of this Agreement and would be breached by the disclosure to such Person or (iii) such information is determined by Clorox reasonably and in good faith as being information that could be used by the P&G Partners to the competitive disadvantage of any business of operations of Clorox and its Subsidiaries other than the Glad Global Business. Notwithstanding the foregoing, the Parties acknowledge and agree that they intend to minimize the amount of information not shared by the Clorox Partners with the P&G Partners with respect to the Glad Global Business. Accordingly, the Clorox Partners agree to use their [* * *] efforts to identify and implement appropriate means to share such information while at the same time protecting the interests of the Joint Venture and the Clorox Partners.

(d) The Board has, subject to the control of the JV Partners, general supervision, direction and control of the business of the Joint Venture. The Board will have the general powers and duties typically vested in the board of directors of a corporation and all other powers and duties over the Joint Venture and its business except as expressly provided elsewhere in this Agreement, provided that the power of the Board will be no greater than the powers of the board of directors or equivalent governing body of any other business unit of Clorox, and the operations of the Glad Business will remain subject to in all respects, and the provisions of this Section 5.1 will in no way affect, any requirements for approval of the board of directors of Clorox with respect to any matter. Certain specific items that will be subject to Board-level authorization are identified in Sections 5.3, 5.4 and 5.5 hereof.

(e) The Joint Venture will be managed in the United States on a day-to-day basis by a Glad Leadership Team (“Glad Leadership Team”) that will consist of the executive management team for the Glad Business and will report to the Board. The composition of the Glad Leadership Team will consist primarily of representatives of [* * *]. The P&G Partners [* * *] Glad Leadership Team [* * *] position to be determined by the Board, and subject to the [* * *]. The representatives [* * *] on the Glad Leadership Team will [* * *] will be attributed to the [* * *].

(f) The persons designated by the P&G Partners as Board members, P&G Observers and [* * *] will all be employees of P&G or its Subsidiaries who have sufficient seniority, knowledge and experience to contribute to the success of the Glad Business.

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(g) No member of the Board or P&G Observer will receive any compensation for serving as Board member or non-voting observer on the Board, other than reimbursement for reasonable out-of-pocket expenses for travel to and from meetings of the Board, which reimbursement will be paid by the Party appointing such Board member or non-voting observer.

(h) Notwithstanding anything to the contrary contained herein, but subject to the provisions of Section 7.1 hereof, all matters relating to the pricing of intercompany transfers and charges between or among any of the Clorox Partners will be decided by the Clorox Partners, in their sole discretion, and the Board will have no control whatsoever over such matters, provided that such intercompany transfers and charges are consistent with the JV Accounting Principles, this Agreement and the Related Agreements and the effects of all such intercompany transfers and charges on the calculation of Net Profits and Net Loss of the Joint Venture are eliminated therefrom in accordance with the JV Accounting Principles.

(i) The Board will have the right to form one or more committees of the Board and to delegate authority to such committees in its discretion, provided that the formation of any committee, its size, the identity of its members, and the scope of authority to be delegated to it will all subject to the unanimous approval of the Board.

Section 5.2 Meetings of the Board.

(a) The Board will meet at least six (6) times a year for the first two Fiscal Years of the Joint Venture and four (4) times annually thereafter. Regular meetings of the Board will be scheduled with at least five (5) Business Days notice. Special meetings of the Board for any purpose may be called at any time by the person selected to preside at meetings of the Board, upon at least two (2) Business Days notice unless waived by each member of the Board. Notice of the time and place of any meeting of the Board will be given to each Board member (i) personally communicated to them by telephone, and confirmed in writing by facsimile or electronic mail, or (ii) communicated by Federal Express or other comparable overnight courier service (receipt requested).

(b) Meetings of the Board will be held at the Joint Venture's offices in Oakland, California, unless some other place is designated in the notice of the meeting. Any member of the Board may participate in a meeting by conference telephone or similar medium so long as all members of the Board participating in such meeting can hear one another and any such member will count towards the determination of the presence of a quorum. Accurate minutes of any meeting of the Board will be maintained by the person designated by the Board for that purpose.

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(c) A quorum for any meeting of the Board will require the presence of (x) a majority of the total number of incumbent members of the Board and (y) at least one member appointed by the P&G Partners, which member must be a voting member. Any Board member may appoint another individual to act in his or her stead for a particular Board meeting by executing a written proxy that is delivered to the Board at the meeting and filed with the records of the Board with respect to such meeting. Any Board member making such an appointment will seek in good faith to provide that the person appointed will be of comparable seniority and/or experience with respect to the Joint Venture to such Board member. Except as otherwise set forth in this Agreement, an action or decision of the Board will require the consent or vote of a majority of its members. Except as otherwise provided in this Agreement or by applicable law, the action of a majority of the members of the Board present at any meeting at which there is a quorum, when duly assembled, is valid. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of members of the Board, if any action taken is approved by a majority of the required quorum for such meeting. If at any meeting of the Board that has been duly called or noticed, no Board member(s) appointed by the P&G Partners are present, such meeting will be adjourned and reconvened in two (2) Business Days, unless such adjournment has been waived by each of the members of the Board. Notice of the revised meeting date will be given to each Board member pursuant to the foregoing provisions excluding the number of days of advance notice. Notwithstanding the other provisions of this Section 5.2(c), in the event that no Board member(s) appointed by the P&G Partners are present at such reconvened meeting, such meeting will be deemed to have a quorum if a majority of the total number of Board members is present. Meetings of the Board will be delayed only once for lack of participation of the Board member(s) appointed by the P&G Partners. For purposes of clarification, all references to member(s) appointed by P&G Partners are to P&G Partners' voting member(s) not Board Observers.

(d) With respect to a meeting which has not been duly called or noticed pursuant to the foregoing provisions, all transactions carried out at the meeting are as valid as if they had been carried out at a meeting regularly called and noticed if: (i) all members of the Board are present at the meeting, and sign a written consent to the holding of such meeting, (ii) a majority of the members of the Board are present and if those not present sign a waiver of notice of such meeting or a consent to holding the meeting or an approval of the minutes thereof, whether prior to or after the holding of such meeting, which waiver, consent or approval will be filed with the other records of the Joint Venture or (iii) all members of the Board attend a meeting without notice and do not protest prior to the meeting or at its commencement that notice was not given to them.

(e) Any action required or permitted to be taken by the Board may be taken without a meeting and will have the same force and effect as if taken by a vote of Board at a meeting properly called and notice, if authorized by a writing signed individually or collectively by all, but not less than all, the members of the Board. Such consent will be filed with the records of the Joint Venture.

(f) A reasonably detailed agenda for any meeting of the Board will be supplied to each member of the Board at the same time notice of the meeting is given, together with other appropriate documentation relating to items on such agenda. Any member of the Board wishing to place a matter on the agenda of any meeting may do so by communicating with the person selected to preside at meetings of the Board.

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Section 5.3 P&G Veto Rights.

(a) Notwithstanding anything in this Agreement to the contrary, during the Term, none of the following actions will be taken by the Clorox Partners or their Subsidiaries, regardless of whether such actions will have been approved by the board of directors of Clorox or any Clorox Partner, without either (x) the prior written consent of the P&G Partners or (y) the approval of a majority of the Board members appointed by the P&G Partners:

(i) any issuance of any JV Interest to any Person other than as expressly provided in this Agreement;

(ii) the incurrence or assumption of any Indebtedness to be attributed to the Joint Venture (other than Parent Loans attributed to the Joint Venture pursuant to Section 2.6) that would result in the aggregate outstanding Indebtedness attributed to the Joint Venture and the Glad Licensed Business at the time such Indebtedness is incurred or assumed (other than Parent Loans attributed to the Joint Venture pursuant to Section 2.6 and Affiliate Loans attributed to the Glad Licensed Business) to be in excess of [***] \$[***] percent ([**]%) of the annual net sales attributed to the Joint Venture and the Glad Licensed Business for the prior four Fiscal Quarters;

(iii) any purchase or other acquisition of any business, division or Person that will be attributed to the Joint Venture for consideration (which will include the purchase price, plus the aggregate of (A) any Indebtedness assumed and (B) any Liabilities assumed that in the good faith estimation of the Board at the time the relevant acquisition agreement is executed will not be satisfied from cash flow of the acquired business or assets) in excess of [***] \$[***] percent ([**]%) of the annual net sales attributed to the Joint Venture and the Glad Licensed Business during the prior four Fiscal Quarters;

(iv) subject to the provisions of Section 7.5(c), any sale, transfer or other disposition in any single transaction or series of related transactions (A) of any business, division or Person attributed to the Joint Venture, or (B) other than in the ordinary course of the conduct of the Glad Business of any assets attributed to the Joint Venture, which assets (x) are not obsolete, (y) are utilized in a material manner in the Glad Business at the time of such sale, and (z) are not being replaced with assets of comparable utility or value to the Glad Business, provided that in each case such business, division, Person or assets have a value in excess of [***] \$[***] percent ([**]%) of the annual net sales attributed to the Joint Venture and the Glad Licensed Business during the prior four Fiscal Quarters, and provided further that this Section 5.3(a)(iv) will not apply with respect to any sale of all or substantially all the business, assets and properties attributed to the Joint Venture;

(v) except as provided in this Agreement or the Related Agreements, any transaction with respect to the Glad Business between Clorox and any Affiliate of Clorox unless (x) (A) such transaction is [***] or is less than \$[***] and (B) the terms of such transaction to be attributed to the Joint Venture are no less favorable than those that would be obtained in a comparable arm's length transaction with a third party that is not Clorox or an Affiliate of Clorox ("Arm's Length Terms"), (y) any effects of such transaction that would be attributed to the Joint Venture will be eliminated pursuant to the JV Accounting Principles or (z) such transaction is otherwise provided for pursuant to the JV Accounting Principles;

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(vi) any distributions made to the JV Partners with respect to the JV Interests other than from Distributable Cash Flow;

(vii) any internal restructuring of the method by which Clorox's legal ownership of the Glad Business is held by Clorox and its Subsidiaries that, based on the facts and circumstances known at the time such restructuring is approved, has or will have a material adverse effect on the business, properties, financial condition, results of operations or prospects of the Glad Business;

(viii) any changes in the accounting policies of the Joint Venture so as to differ from the JV Accounting Principles, except as required by Governmental Authorities or except as required to conform to a general change being made by Clorox to its accounting policies as in effect throughout its businesses that, based on the facts and circumstances known at the time such change is approved, do not and will not adversely affect the relative economic interests hereunder of the P&G Partners, on the one hand, and the Clorox Partners, on the other hand;

(ix) the Glad Business [* * *];

(x) any termination of any [* * *], any failure to renew the term of any [* * *] or any change to the [* * *] terms of any [* * *] in each case prior to the earlier of (A) termination of [* * *] and (B) any [* * *]; and

(xi) any termination of any [* * *], any failure to renew the term of any [* * *] or any change to the [* * *] terms of any [* * *], in each case prior to the earlier of (A) termination of the [* * *] and (B) any [* * *].

(b) In the event that the Board designees of the P&G Partners fail to approve any action approved by a majority of the Board and the Joint Venture is prohibited from taking such action (a "P&G Veto"), the P&G Partners and Clorox will attempt to resolve such dispute by immediately submitting it for resolution to the respective chief executive officers of Clorox and P&G. The chief executive officers will negotiate in good faith to resolve the dispute in at least one face-to-face meeting to occur within thirty (30) days (the process of such submission and negotiation is referred to herein as "Escalation"). If the chief executive officers of Clorox and P&G are unable to resolve the dispute within thirty (30) days, the Joint Venture will be prohibited from taking such action and Clorox will have the ability to exercise its Call Right pursuant to Section 6.5(b)(i), if and only to the extent applicable (such thirty (30) day period, the "Resolution Period").

Section 5.4 Business Plan, Budget and Reports to the Board.

(a) The preliminary business plan for the Joint Venture has been presented to the P&G Parties and agreed upon by the Parties. The preliminary business plan with respect to the use of the P&G Parties' proprietary Forceflex and Impress technologies, which technologies are the subject of licenses under the P&G License Agreement, is attached as Exhibit D. All subsequent business plans as well as the long-term strategic plan for the Joint Venture will be submitted for approval to the Board, in a process that will be consistent with the submission and approval process of Clorox for the board of directors of Clorox. The business plan and the long-term strategic plan will be regularly reviewed by management, and material proposed revisions to the then-current business plan and long-term strategic plan will be submitted to the Board for approval.

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(b) The preliminary budget for the Joint Venture is attached as Exhibit E. All subsequent budgets for the Joint Venture will be submitted for approval to the Board, in a process that will be consistent with the submission and approval process of Clorox for the board of directors of Clorox. The budget will be regularly reviewed by management, and material proposed revisions to the then-current budget will be submitted to the Board for approval.

(c) The Board will determine the additional reports and other information about the Joint Venture that is to be provided to the members of the Board on a scheduled, periodic basis.

Additional information about the Joint Venture will be provided to individual members of the Board upon reasonable request, provided that it is understood that such requests should not be unduly burdensome or otherwise of such a nature as to interfere with the customary operations of the Glad Business or cause the Glad Business to operate other than in the ordinary course.

Section 5.5 Additional Items for Board Approval.

(a) Any candidate to become a member of the Glad Leadership Team must be submitted to and approved by the Board prior to becoming a member of such Glad Leadership Team. The Board will have the right to meet with any such candidate prior to acting with respect to him or her, and if the Board declines to do so then the P&G Partners will have an opportunity to meet with such candidate prior to the Board acting with respect to such candidate. The Board may also designate other key employee positions in the Glad Business with respect to which it must approve the candidates, and which the Board will have the right to interview prior to their appointment (and which the P&G Partners will have an opportunity to meet with if the Board declines).

(b) All new Significant Contracts to be attributed to the Joint Venture in whole, and the portions of any Significant Contracts to be attributed to the Joint Venture in part, will be submitted to and subject to the approval of the Board, in a process that will be consistent with the submission and approval process of Clorox for the board of directors of Clorox.

(c) The establishment of a direct presence or exclusive distributorship arrangement in any country where Clorox and its Affiliates do not conduct business directly or through an exclusive distributor with respect to the Glad Global Business brands as of the Closing will be submitted to and subject to the approval of the Board, in a process that will be consistent with the submission and approval process of Clorox for the board of directors of Clorox.

(d) Any (i) assumption or incurrence of Indebtedness (other than Parent Loans) in excess of \$[* * *] or (ii) purchase or other acquisition and any sale, transfer or other disposition of any business, division or Person that will be attributed to the Glad Business that will not be subject to the prior consent of P&G pursuant to Sections 5.3(a)(ii), 5.3(a)(iii) or 5.3(a)(iv) hereof will be submitted to and subject to the approval of the Board.

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ARTICLE VI

TRANSFERS OF INTEREST; TERM AND TERMINATION

Section 6.1 General; Restrictions on Transfers.

(a) No JV Partner may Transfer all or any part of its JV Interests except to a Permitted Transferee, or pursuant to Section 2.7 hereof. For purposes of clarification, in the event Clorox engages in any Third-Party Sale, Clorox will assign to the transferee, and the transferee will assume, this Agreement as part of such Third-Party Sale as well as all Related Agreements other than those Related Agreements that by their terms will terminate in connection with such Third-Party Sale. All Transfers of JV Interests will be effected by written notice of such Transfer to the Joint Venture. Upon receipt of such notice, the JV Interests of the JV Partners will be modified to reflect any Transfer effected in accordance with this Agreement. Notwithstanding the foregoing, any sale, transfer or assignment of a JV Interest or this Agreement to a Subsidiary of the transferring Party will not relieve the transferring Party of its obligations hereunder

(b) No JV Partner will Transfer all or any part of its JV Interest to any Person (including any Permitted Transferee that is not already bound by the terms of this Agreement) without such transferee executing and the transferring Party delivering to the Board and any non-transferring Party a written agreement to be bound by the terms of this Agreement and all Related Agreements in form and substance reasonably satisfactory to the Board and the non-transferring Parties. Any Transfer by a JV Partner of all or any part of its JV Interest must be in compliance with all applicable federal and state securities laws, and the provisions of this Section 6.1(b) and the other provisions of this Article VI.

(c) Any Transfer or attempted Transfer by a JV Partner in violation of this Section 6.1 will be null and void and of no force or effect whatever. Each JV Partner who is a transferring Party hereby further agrees to hold the Joint Venture and every other JV Partner and its Affiliates wholly and completely harmless from any cost, Liability, or damage (including Liabilities for income taxes and costs of enforcing this indemnity) incurred by any of such indemnified Persons as a result of a Transfer or an attempted Transfer in violation of this Agreement. For the avoidance of doubt, the provisions of this Section 6.1 do not limit in any respect any Transfer by any Clorox Partner of any business, assets or properties of the Glad Business, including without limitation a Third Party Sale pursuant to Section 6.7 hereof; provided, such Clorox Partner has assigned to the transferee and the transferee has assumed this Agreement and all Related Agreements to the extent required by the terms of Section 6.1.

Section 6.2 Effect of Transfers on Distributions among JV Partners.

Upon the occurrence of a Permitted Transfer of a JV Interest during any Fiscal Year, Net Profits, Net Losses, each item thereof, and all other items attributed to such JV Interest for such Fiscal Year will be divided and allocated between the transferor and the transferee by taking into account their varying interests during the Fiscal Year in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Board. Except as otherwise provided in Section 3.4(c)(v), all distributions on or before the date of a Permitted Transfer will be made to the transferor, and all distributions thereafter will be made to the transferee. Solely for purposes of making such allocations and distributions, a Permitted Transfer will be recognized upon the Board's receipt of (i) written notice stating the date such Interest was transferred and such other information as the Board may reasonably require and (ii) the written agreement to be executed by the Permitted Transferee agreeing to be bound by the terms of this Agreement pursuant to the requirements of Section 6.1 hereof. The Board will incur no Liability for making allocations and distributions in accordance with the provisions of this Section 6.2 whether or not the Board has knowledge of any Transfer of ownership of any JV Interest.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Section 6.3 Term of Joint Venture.

(a) The term of the Joint Venture (the “Term”) will commence at the Closing and will expire on the twenty-year anniversary of the Closing Date (the “Initial Term”), unless earlier terminated pursuant to the provisions of Sections 6.4, 6.5, 6.6 or 6.7 hereof. Either the P&G Partners or Clorox may deliver written notice to the other not less than five (5) years prior to the end of the Initial Term requesting that the Term be extended for an additional ten (10) years after the end of the Initial Term. If the Party receiving the notice agrees to such extension, the Term will terminate on the thirty-year anniversary of the Closing Date, unless earlier terminated pursuant to the provisions of Sections 6.4, 6.5, 6.6 or 6.7 hereof. If the Party receiving the notice does not agree to such extension, the Term will automatically terminate at the end of the Initial Term. The expiration of the Term will not relieve any Party from any liability it may have to any other Party arising out of or relating to acts or omissions prior to such expiration.

(b) The provisions of Section 6.3, 7.2, 7.3, 7.4, 9.1(b) and 9.2, and Articles X and XI shall survive any termination or expiration, in whole or in part, of this Agreement. The termination or expiration of this Agreement will not relieve either Party of any liability it may have to the other Party arising out of or relating to acts or omissions occurring prior to expiration or termination.

Section 6.4 P&G Put Rights.

(a) The P&G Partners will have the right to sell to Clorox, and upon exercise of such right Clorox (or the Clorox Partner designated by Clorox) will be required to purchase, all (but not less than all) of the P&G Partners’ JV Interests, including the P&G Option (if the sale is to occur during the Option Exercise Period and the P&G Option is not yet exercised) (the “Put Right”) in the event of (x) any Change of Control of Clorox as set forth in Section 6.4(a)(i) below or (y) the failure to cure certain breaches by Clorox Partners as set forth in Section 6.4(a)(ii) below.

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(i) In the event a Clorox Change of Control occurs during the Term, Clorox will provide the P&G Partners with written notice of the Clorox Change of Control (a “Change of Control Notice”) within [* * *] after the closing of the transaction resulting in the Clorox Change of Control. The P&G Partners may irrevocably exercise their Put Right in connection with such Clorox Change of Control by delivering written notice of such irrevocable exercise to Clorox within [* * *] days after the receipt of the Change of Control Notice. The purchase price payable by Clorox to the P&G Partners for such JV Interests and the P&G Option (if unexercised but exercisable) will be paid to the P&G Partners and will be cash equal to the Fair Market Value of their respective JV Interests and the P&G Option (if unexercised, but exercisable) as of the date of closing of such Clorox Change of Control, but will be reduced by the applicable Services Termination Amount, if any, pursuant to Section 6.8 hereof. If the P&G Partners do not deliver a written exercise notice to Clorox within the [* * *] period referred to above, the Put Right will terminate and Clorox will have no further obligation with respect to the Put Right with respect to such Clorox Change of Control, provided that such termination will not in any way affect and the P&G Partners will retain all rights pursuant to this Section 6.4 with respect to any future Clorox Change of Control.

(ii) In the event a Clorox Partner knowingly breaches in any material respect a material obligation of a Clorox Partner under the provisions of this Agreement or any Related Agreement during the Term, the P&G Partners will have the right to provide Clorox with written notice of such breach. The Clorox Partners will then have a period of [* * *] to attempt to cure such breach (which period will be suspended to the extent Clorox is contesting the breach in good faith). If the Clorox Partners do not cure such breach in all material respects within such [* * *] period, the P&G Partners and Clorox will attempt to resolve such dispute by Escalation. If the chief executive officers of Clorox and P&G are unable to resolve the dispute within thirty (30) days, P&G Partners may exercise its Put Right in connection with such material breach within [* * *] after the end of such thirty-day period. The purchase price payable by Clorox to the P&G Partners for such JV Interests and the P&G Option (if unexercised, but exercisable) will be cash equal to Fair Market Value of the P&G Partners’ JV Interests and the P&G Option (if unexercised, but exercisable) as of the date of [* * *] with respect to such breach, provided that for purposes of this Section 6.4(a)(ii), the Fair Market Value of P&G Partners’ initial Ordinary JV Interest of ten percent (10%) and Class C Interest during the period commencing on the Closing Date and ending on the [* * *] anniversary of the Closing Date will be an aggregate of no less than \$140 million. If the P&G Partners do not deliver an exercise notice to Clorox within the [* * *] period referred to above, their Put Right will terminate and Clorox will have no further obligation with respect to the Put Right with respect to such Clorox Partner breach and any related matters of which the P&G Partners have actual knowledge, provided that such termination will not in any way affect and the P&G Partners will retain all rights pursuant to this Section 6.4 with respect to any future Clorox Partner breach. In addition, the P&G Partners will have the right, but not the obligation, to terminate the P&G Services Agreement at the time of exercise of its Put Right pursuant to this Section 6.4(a)(ii).

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(b) The closing of any sale of a JV Interest pursuant to exercise by P&G Sub of a Put Right pursuant to this Section 6.4 will take place at the principal office of Clorox on the [***] after final determination of Fair Market Value of the JV Interest being sold, provided that all material orders, consents and approvals of Governmental Authorities legally required for the closing of such sale will have been obtained and be in effect. At such closing, Clorox (or the Clorox Partner designated by Clorox) will deliver the purchase price in immediately available funds in the appropriate amount (unless other consideration has been mutually agreed upon by the P&G Partners and Clorox). The P&G Partners will deliver their JV Interests to Clorox (or the Clorox Partner designated by Clorox) free and clear of all Liens, and the Term of the Joint Venture will terminate as of such closing.

Section 6.5 Clorox Purchase of P&G JV Interest .

(a) In the event of any termination or expiration of the Term in accordance with Section 6.3, Clorox (or the Clorox Partner designated by Clorox) will purchase, and the P&G Partners will be required to sell to Clorox or such Clorox Partner, all of the JV Interests held by the P&G Partners. In the event of a purchase by Clorox pursuant to this Section 6.5(a) due to a termination of the Term, the purchase price for the JV Interests of the P&G Partners will be the Fair Market Value of such JV Interests, which Fair Market Value will be calculated as of the date on which the Term is to terminate.

(b) Clorox will also have the right, but not the obligation, to purchase, and upon exercise of Clorox's right the P&G Partners will be required to sell to Clorox (or the Clorox Partner designated by Clorox), all of the P&G Partners' JV Interests, including the P&G Option if such exercise by Clorox is within the Option Exercise Period and the P&G Option is not yet exercised, (the "Call Right") for a cash purchase price of Fair Market Value in the event of (x) the failure to resolve certain P&G Vetoes within the Resolution Period as set forth in Section 6.5(b)(i) below or (y) the failure to cure certain breaches by P&G Partners as set forth in Section 6.5(b)(ii) below.

(i) In the event Clorox and the P&G Partners fail pursuant to Section 5.3(b) to resolve a dispute with respect to a P&G Veto pursuant to (A) Section 5.3(a)(iii), (B) Section 5.3(a)(iv) or (C) Section 5.3(a)(v) with respect to a transaction that is on Arm's Length Terms, Clorox will have the right to exercise its Call Right by providing written notice to the P&G Partners of such exercise (a "Deadlock Notice") within [***] of the end of the Resolution Period, and if Clorox does not provide the P&G Partners with a Deadlock Notice in a timely manner in accordance with this Section 6.5(b)(i), all rights of Clorox to exercise its Call Right with respect to such P&G Veto will terminate, provided that such termination will not in any way affect and Clorox will retain all rights pursuant to this Section 6.5 with respect to any future P&G Veto. Fair Market Value of the P&G Partners' JV Interests and the P&G Option (if exercisable but unexercised) for purposes of a purchase pursuant to this Section 6.5(b)(i) will be determined as of the date of the [***], provided that for purposes of this Section 6.5(b)(i), the Fair Market Value of the P&G Partners initial Ordinary JV Interest of ten percent (10%) and Class C Interest during the period commencing on the Closing Date and ending on the [***] anniversary of the Closing Date will be an aggregate of no less than \$140 million.

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(ii) In the event a P&G Partner knowingly breaches in any material respect a material obligation of a P&G Partner under the provisions of this Agreement or any Related Agreement during the Term, Clorox will have the right to provide the P&G Partners with written notice of such breach. The P&G Partners will then have a period of [* * *] to attempt to cure such breach (which period will be suspended to the extent the P&G Partners are contesting the breach in good faith). If the P&G Partners do not cure such breach in all material respects within such [* * *] period, the P&G Partners and Clorox will attempt to resolve such dispute by Escalation. If the chief executive officers of Clorox and the P&G Partners are unable to resolve the dispute within thirty (30) days, Clorox may exercise its Call Right in connection with such material breach within [* * *] after the end of such thirty-day period. The purchase price payable by Clorox to the P&G Partners for such JV Interests and the P&G Option (if unexercised but exercisable) will be cash equal to Fair Market Value [* * *] with respect to such breach. If Clorox does not deliver an exercise notice to the P&G Partners within the [* * *] period referred to above, its Call Right will terminate and the P&G Partners will have no further obligation with respect to the Call Right with respect to such P&G Partner breach and any related matters of which Clorox has actual knowledge, provided that such termination will not in any way affect and Clorox will retain all rights pursuant to this Section 6.4 with respect to any future P&G Partner breach. In addition, Clorox will have the right, but not the obligation, to terminate the P&G Services Agreement at the time of exercise of its Call Right pursuant to this Section 6.5(b)(ii).

(c) The closing of any sale of a JV Interest and the P&G Option pursuant to an exercise by Clorox of a Call Right pursuant to this Section 6.5 will take place at the principal office of Clorox on the [* * *] after final determination of Fair Market Value of the JV Interest being sold, provided that all material orders, consents and approvals of Governmental Authorities legally required for the closing of such sale will have been obtained and be in effect. At such closing, Clorox (or the Clorox Partner designated by Clorox) will deliver the purchase price in immediately available funds in the appropriate amount (unless other consideration has been mutually agreed upon by the P&G Partners and Clorox). The P&G Partners will deliver their JV Interests to Clorox (or the Clorox Partner designated by Clorox) free and clear of all Liens, and the Term of the Joint Venture will terminate as of such closing.

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Section 6.6 Tag-Along Rights.

(a) With respect to any proposed direct or indirect sale, transfer or assignment (which will not include a bona fide pledge of assets) by any Clorox Partner of all or substantially all of the Glad Global Business (other than such a sale, transfer or assignment to a Clorox Affiliate), Clorox will have the obligation, and each P&G Partner will have the right (the “Tag-Along Right”), to require the proposed transferee to purchase from each P&G Partner all, but not less than all, its JV Interests, and the P&G Option if the Tag-Along Right is exercised during the Option Exercise Period and the P&G Option is not yet exercised, at a price equal to Fair Market Value, and upon the same other terms and conditions as to be given to the Clorox Partners, provided that in order to be entitled to exercise their Tag-Along Right, the P&G Partners must agree to give the same indemnities as the Clorox Partners agree to make in connection with the proposed sale, transfer or assignment, which obligations will be borne by the P&G Partners on a pro rata basis based on the relative Ordinary JV Interests of all the JV Partners but in the case of each P&G Partner will in no event exceed ten percent (10%) of the sale proceeds received by such P&G Partner. In addition, the purchase price payable to the P&G Partners will be reduced by the applicable Services Termination Amount, if any, pursuant to Section 6.8 hereof. With respect to the P&G Option if the P&G Option is unexercised but exercisable, the P&G Partners will receive from the proceeds otherwise payable to the Clorox Partners the amount by which the Fair Market Value of the Ordinary JV Interest and Class A Interest subject to the P&G Option exceeds the Option Price. The purchase price payable to the P&G Partners for the P&G Option (if the P&G Option is unexercised, but exercisable) will therefore be the greater of (i) zero and (ii) an amount equal to (x) the Fair Market Value of the Ordinary JV Interest and Class A Interest to be acquired by the P&G Partners upon exercise of the P&G Option minus (y) the then-applicable Option Price (and the amount of the purchase price payable to the Clorox Parties will be reduced by an equal amount). Upon completion of such sale the P&G Option will terminate.

(b) Clorox must give notice to the P&G Partners of each proposed sale, transfer or assignment (which will not include a bona fide pledge of assets) giving rise to a Tag-Along Right at least [* * *] prior to the proposed consummation of such sale, transfer or assignment, setting forth the JV Interest proposed to be so sold, transferred or assigned, the name and address of the proposed transferee, the proposed amount of consideration therefor and terms and conditions agreed to by the proposed transferee. The Tag-Along Right must be exercised by a P&G Partner within [* * *] days following receipt of the Clorox notice, by delivery of a written irrevocable notice to Clorox indicating exercise of the Tag-Along Right. If the proposed transferee fails to complete its purchase from any P&G Partner that has properly exercised its tag-along rights, then Clorox will not be permitted to make the proposed transfer, and any such attempted sale, transfer or assignment will be void and of no effect. If a P&G Partner exercises its Tag-Along Rights, the closing of the purchase will take place concurrently with and as part of the closing of the sale of the Glad Global Business, and the Term of the Joint Venture will terminate as of such closing.

Section 6.7 Drag Along Rights.

(a) If at any time during the Term, any Clorox Partner enters into an agreement to consummate a transaction constituting a direct or indirect sale of all or substantially all of the Glad Global Business (other than a Clorox Change of Control) (a “Third-Party Sale”), then upon the written demand of Clorox, each P&G Partner will agree to sell all its JV Interests, and the P&G Option if the Third-Party Sale is during the Option Exercise Period and the P&G Option is not yet exercised, and at a price equal to the Fair Market Value for such JV Interests, and upon the same other terms and conditions as to be given to the Clorox Partners, provided that in order to be entitled to exercise their rights in connection with a Third Party Sale, the P&G Partners must agree to give the same indemnities as the Clorox Partners agree to make in connection with the proposed sale, transfer or assignment, which obligations will be borne by the P&G Partners on a pro rata basis based on the relative Ordinary JV Interests of all JV Partners but in the case of each P&G Partner will in no event exceed ten percent (10%) of the sale proceeds received by such P&G Partner. Notwithstanding the foregoing, with respect to any a Third-Party Sale that occurs prior to [* * *] anniversary of the Closing Date, the purchase price to be paid to the P&G Partners in such Third-Party Sale for P&G’s initial Ordinary JV Interest of ten percent (10%) and Class C Interest will be an aggregate of no less than \$140 million. With respect to the P&G Option if the P&G Option is unexercised but exercisable, the P&G Partners will receive from the proceeds otherwise payable to the Clorox Partners the amount by which the Fair Market Value of the Ordinary JV Interest and Class A Interest subject to the P&G Option exceeds the Option Price. The purchase price payable to the P&G Partners for the P&G Option (if the P&G Option is unexercised, but exercisable) will therefore be the greater of (i) zero and (ii) an amount equal to (x) the Fair Market Value of the Ordinary JV Interest and Class A Interest to be acquired by P&G upon exercise of the P&G Option minus (y) the then-applicable Option Price (and the amount of the purchase price payable to the Clorox Parties will be reduced by an equal amount). Upon completion of such sale the P&G Option will terminate. Clorox agrees it will not enter into a Third-Party Sale, unless otherwise agreed by the P&G Partners, without obtaining an opinion from a nationally-recognized investment banking firm selected by Clorox, which investment banking firm is not otherwise entitled to any financial advisor’s or similar fee in connection with the Third-Party Sale, [* * *].

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(b) Clorox may exercise its rights in connection with a Third-Party Sale at any time during the Term upon written notice to the P&G Partners, setting forth the name and address of the proposed transferee, the proposed amount of consideration therefor and terms and conditions agreed to by the proposed transferee, provided that Clorox will use [* * *] efforts to give notice to the P&G Partners at least [* * *] prior to the proposed consummation of any such Third-Party Sale. Each P&G Partner will consent to and raise no objections to the proposed transaction and will take all other actions necessary or desirable to cause the consummation of such Third-Party Sale on the terms proposed by Clorox. If Clorox exercises its rights to cause a sale pursuant to this Section 6.7, the closing of the purchase will take place concurrently with and as part of the closing of the sale of the Glad Global Business, and the Term of the Joint Venture will terminate as of such closing. If the proposed transferee fails to complete its purchase from any P&G Partner at the closing of any Third-Party Sale, then Clorox will not be permitted to make the proposed Third-Party Sale, and any such attempted sale, transfer or assignment will be void and of no effect.

(c) Clorox further agrees that in the event that it [* * *] Third Party Sale, it will notify the P&G Partners and if the P&G Partners notifies Clorox in writing within [* * *] of receipt of such notice that P&G has made a good faith determination to pursue [* * *], Clorox and P&G will negotiate [* * *] days with respect to [* * *] by P&G of the [* * *] on terms satisfactory to each of Clorox and P&G, provided that the provisions of this Section 6.7(c) will in no way obligate Clorox to notify or negotiate with P&G in the event Clorox receives a [* * *] for a Third Party Sale, and provided further that it is understood that in the event P&G and Clorox do not enter into a binding agreement with respect to such a purchase on terms and conditions satisfactory to each Party in its sole discretion within such [* * *] day period, Clorox will have the right thereafter to [* * *] into a Third Party Sale with any other Person.

Section 6.8 Services Termination Amount.

(a) In the event the P&G Services Agreement is terminated by P&G pursuant to Section 8.2(b) of the P&G Services Agreement in connection with an exercise by P&G Partners of their Put Right pursuant to Section 6.4(a)(i) hereof or their Tag-Along Right pursuant to Section 6.6 hereof, the aggregate purchase price payable to the P&G Partners with respect to their JV Interests pursuant to such Sections 6.4(a) and 6.6, as applicable, will be reduced as follows:

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Date of P&G Notice of Termination	Purchase Price Reduction
On the Closing Date	\$[* * *]
On the one-year anniversary of the Closing Date	\$[* * *]
On the two-year anniversary of the Closing Date	\$[* * *]
On the three-year anniversary of the Closing Date	\$[* * *]
On the four-year anniversary of the Closing Date	\$[* * *]
On the five-year anniversary of the Closing Date	\$[* * *]
On the six-year anniversary of the Closing Date	\$[* * *]
On the seven-year anniversary of the Closing Date	\$[* * *]
On the eight-year anniversary of the Closing Date	\$[* * *]
On the nine-year anniversary of the Closing Date	\$[* * *]
On and after the ten-year anniversary of the Closing Date	[* * *]

To the extent that the date of the P&G notice of termination is delivered other than on one of the anniversary date referenced above, the purchase price reduction will equal the sum of the purchase price reduction on the immediately succeeding anniversary date referenced above plus the product of (i) the number of days until the immediately succeeding anniversary date divided by 365 and (ii) the purchase price reduction amount on the immediately preceding anniversary date minus the purchase price reduction amount on the immediately succeeding anniversary date.

ARTICLE VII

CERTAIN AGREEMENTS

Section 7.1 Personnel; Provision of Services.

(a) During the Term, the Clorox Parties will make certain corporate services and employees available to provide services to the Glad Business and the Glad Licensed Business on terms and conditions as detailed on Exhibit F (such services, the “Clorox Services”). The cost of the Clorox Services with respect to the Glad Business and the Glad Licensed Business will be attributed to the Joint Venture as set forth on such Exhibit F, which Exhibit F will be consistent with the JV Accounting Principles. Exhibit F also sets forth provisions providing for the modification or termination of the Clorox Services. All costs and expenses that will otherwise be attributed to the Joint Venture or the Glad Licensed Business with respect to employees of Clorox or the Clorox Parties will be attributed solely in accordance with the JV Accounting Principles. Under no circumstances will the Clorox Services be considered for tax purposes to be given in exchange for any portion of the Clorox Parties’ JV Interest.

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(b) During the Term, P&G will make certain services and employees available to provide services to the Glad Business and the Glad Licensed Business on terms and conditions as provided in the P&G Services Agreement attached as Exhibit B hereto. In addition, P&G will have the right to propose that additional employees provide services to the Glad Business and the Glad Licensed Business from time to time in business functions in which P&G thinks such employees would be of benefit to the Glad Business or the Glad Licensed Business, as the case may be. Any such proposals by P&G with respect to the Glad Business will be reviewed by the Glad Leadership Team and the Board, and must be approved by the Board prior to being implemented. Any such proposals by P&G with respect to the Glad Licensed Business will be reviewed by The Glad Products Company and the International Affiliate conducting the relevant Glad Local Business. Any such employees will be provided to the Glad Business or the Glad Licensed Business, as the case may be, at their actual cost to P&G and its Subsidiaries, which cost will be attributed to the Joint Venture in a manner consistent with the JV Accounting Principles.

Section 7.2 Non-Competition.

(a) In order to further the business of the Joint Venture and to protect the Intellectual Property and other contributions of the Parties to the Joint Venture, each of Clorox and P&G agrees that during the Term, and P&G agrees that for [* * *] thereafter (unless otherwise provided herein), it will not, and it will cause its Subsidiaries not to, directly or indirectly conduct, engage in, manage, own, operate, invest in or license the right to use any trademark, tradename or Specific Technology for use in connection with, any Competing Business anywhere in the world other than through the Joint Venture and the Glad Global Business.

(b) Notwithstanding the foregoing, the provisions of this Section 7.2 will not prohibit, restrict or prevent Clorox, P&G or their respective Subsidiaries from:

(i) engaging in a [* * *] so long as the aggregate revenues to Clorox and its Subsidiaries or P&G and its Subsidiaries, as applicable, from all such [* * *],

(ii) acquiring not more than [* * *] percent ([* * *]%) of any class of publicly traded equity securities of any Person,

(iii) acquiring [* * *] percent ([* * *]%) or more of any class of capital stock of any Person that directly or indirectly through one or more Subsidiaries or otherwise has a [* * *] operations as long as (x) such [* * *] percent ([* * *]%) of such acquired Person's [* * *] acquisition and (y) the portion of such Person's business that engages in the [* * *] is sold or disposed of no later than [* * *] after the [* * *] by Clorox, P&G or their respective Subsidiaries (as applicable),

(iv) investing in any Person [* * *] operations as long as (w) such [* * *] percent ([* * *]%) of such acquired Person's [* * *] acquisition, (x) such investment [* * *] percent ([* * *]%) of any [* * *] interests of such Person, (y) the investor does not, directly or indirectly, direct or cause the direction of, or participate in, the [* * *] of such Person, and (z) the Person that directly or indirectly [* * *] and its Subsidiaries will [* * *] (A) any trademark or tradename of the investor or any of the investor's Affiliates [* * *] or (B) any [* * *] owned, licensed or otherwise held by the investor or any of the investor's Affiliates,

(v) with respect to [* * *] with respect to which (A) the license of any P&G Technology has terminated pursuant to Section 7.1 of the P&G License Agreement and (B) the Glad Global Business does not conduct any business in such country or license any third party to conduct such business,

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(vi) [* * *] if (A) the license of any P&G Technology for use [* * *] has terminated pursuant to Section 7.1 of the P&G License Agreement and (B) the Joint Venture [* * *] any business in the [* * *] or license any third party [* * *] such business,

(vii) [* * *] directly or indirectly [* * *] or [* * *] any product currently [* * *] or [* * *] by [* * *] (“Existing Product”) which Existing Product would be deemed [* * *], or

(viii) [* * *], co-marketing products of P&G or its Subsidiaries that are [* * *] with products of a third party Competing Business that are [* * *].

(c) As used in this Section 7.2, “Competing Business” means the [* * *] bags, wraps, straws or covered containers [* * *] but excluding [* * *].

(d) The restrictions contained in this Section 7.2 will terminate with respect to P&G and its Subsidiaries in the event of an exercise by P&G of its Put Right pursuant to Section 6.4(a)(ii) hereof. The expiration or termination of this Section 7.2 will not affect any of the Parties’ rights under the P&G License Agreement.

(e) In order to further the business of the Joint Venture and to protect the Intellectual Property and other contributions of the Parties to the Joint Venture, during the Term of this Agreement and for [* * *], P&G [* * *]. For purposes of clarification, P&G will not be deemed to be in breach hereof if any products based on [* * *] by a customer or broker (or a subsequent customer or broker) [* * *], so long as P&G and its Subsidiaries [* * *]. Nothing herein will prevent P&G or its Subsidiaries from selling to any third party [* * *] (except as set forth in the immediately preceding two sentences).

Section 7.3 Confidentiality; Non-Disclosure.

(a) Each of Clorox and P&G will, and will cause their respective Subsidiaries, directors, officers, employees and any other Person to whom such Party discloses information with respect to the Joint Venture, to hold in confidence all documents furnished to it, by or on behalf of the other Party in connection with the transactions contemplated by this Agreement. For purposes of this Section 7.3, references to information of a Party or to disclosure of information by or to a Party shall in each case include information of, disclosure by and disclosure to Affiliates of such Party.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

(b) During the Term, Clorox and P&G and their respective Subsidiaries, directors, officers, employees and other representatives will be given access to non-public, proprietary information that relates to the other's past, present, and future research, development, business activities, products, services, and technical knowledge, as well as non-public information relating to the Glad Global Business and the Joint Venture, including without limitation the information provided with respect to the Glad Global Business and the Joint Venture to the Board, the members of the Glad Leadership Team, and the P&G Observers and the financial and other information made available to the Parties pursuant to Sections 7.9 and 9.1 hereof (collectively, "Confidential Information"). The Parties acknowledge that certain of the Confidential Information could be used by one Party to the competitive disadvantage of the business or operations of the other Party unrelated to the Joint Venture or the Glad Global Business, and therefore agree as follows with respect to all the Confidential Information:

(i) the Confidential Information of the disclosing Party may be used by the receiving Party only in connection with the Joint Venture and the Glad Global Business;

(ii) each Party agrees to protect, and to cause their respective Subsidiaries, directors, officers, employees and any other Person to whom such Party discloses Confidential Information of the other Party, to protect the confidentiality of the Confidential Information of the other in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind, but in no event will either Party exercise less than reasonable care in protecting such Confidential Information;

(iii) access to any Confidential Information of the other Party will be restricted to (A) the members of the Board and (B) the P&G Observers, members of the Glad Leadership Team, and those other employees and other personnel of the Parties that (x) are made available to perform services with respect to the Joint Venture or the Glad Licensed Business pursuant to Section 7.1 as provided therein, or (y) otherwise need to know such Confidential Information for purposes of conducting the business of the Joint Venture or the Glad Licensed Business or implementing this Agreement or any Related Agreement (collectively, "Authorized Persons"). Each Party will cause the Authorized Persons of such Party not to disclose any Confidential Information to any other Person who is not an Authorized Person. Each Party will establish internal ethical walls and other policies and procedures reasonably satisfactory to the other Party to prevent the disclosure of Confidential Information of the other Party other than to Authorized Persons and other than for the purposes of providing services to or otherwise conducting the business of the Joint Venture or implementing this Agreement or any Related Agreement;

(iv) all Confidential Information made available hereunder, including copies thereof, will be returned or destroyed upon the first to occur of (A) the termination of the Joint Venture or (B) any request by the disclosing Party, unless the receiving Party is otherwise allowed to retain such Confidential Information. Either Party may retain, subject to the terms of this Section 7.3, copies of the other's Confidential Information required for compliance with record keeping or quality assurance requirements or other applicable legal requirements; and

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

(v) nothing in this Agreement will prohibit or limit Clorox's or P&G's (or their Subsidiaries') use of information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (A) previously known to it without an obligation of confidence, (B) independently developed by or for it, (C) acquired by it from a third party which is not, to its knowledge, under an obligation of confidence with respect to such information, or (D) which is or becomes publicly available through no breach of this Agreement. For avoidance of doubt, this Section 7.3 does not limit the disclosure by the Clorox Parties of information with respect to the Glad Global Business to Clorox and its Subsidiaries in the event such information does not include any Confidential Information disclosed by the P&G Parties.

(c) Each Party further acknowledge and agree that it is possible that certain uses of its own Confidential Information could be detrimental to the Joint Venture or the Glad Global Business, and each Party will use [* * *] efforts to avoid any such detrimental use.

(d) Notwithstanding the provisions of this Section 7.3, the Parties agree that each of the other Parties may disclose Confidential Information to one or more third parties in a due diligence investigation being conducted by such third party in connection with a Third Party Sale or a transaction that would result in a Clorox Change of Control, in the case of the Clorox Partners, or a transaction that would result in a P&G Change of Control, in the case of the P&G Partners. Prior to any disclosure of Confidential Information pursuant to this Section 7.3(d), the third party to whom such information is to be disclosed must have agreed to keep in confidence all Confidential Information to be disclosed to such third party, and the Party hereto disclosing such Confidential Information will be responsible for any disclosure of the Confidential Information by such third party.

Section 7.4 Non-Solicitation.

Each of Clorox and P&G agrees that the solicitation for employment by it or its Subsidiaries of employees of the other Party whom the soliciting Party becomes aware of as a result of the Joint Venture or the Glad Licensed Business would have an adverse impact on the Parties. Each of Clorox and P&G agrees that during the Term and for [* * *] thereafter it will, and it will cause its Subsidiaries to, take [* * *] steps to prevent its employees from making such solicitations; to use [* * *] efforts to cause itself and its Subsidiaries to enforce such prohibition; and, to the extent that it becomes aware of any such solicitation occurring within itself or any of its Subsidiaries, to take [* * *] action to cause such solicitation to immediately cease. In the event of any breach of these non-solicitation obligations, the Parties agree to conduct good faith discussions and negotiations to determine a mutually acceptable means of addressing such breach, provided that in no event will there be any penalty for any inadvertent breach of this provision by any Party.

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Section 7.5 Agreement to Cooperate; Further Assurances; Other Matters.

(a) Subject to the terms and conditions of this Agreement, each of the Parties will use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including providing information and using reasonable efforts to obtain all necessary or appropriate waivers, consents and approvals, and effecting all necessary registrations and filings, and will actively take all reasonable steps to pursue such waivers, consents and approvals for a period not to exceed three (3) months, after which period either Clorox or P&G will have the right to terminate this Agreement if such waivers, consents and approvals have not been received such that the condition to closing set forth in Section 8.1(b) has not been satisfied or if the Closing has not otherwise occurred. The Parties will timely and promptly make all filings which may be required by each of them in connection with the consummation of the transactions contemplated hereby under the Hart-Scott-Rodino Antitrust Improvements act of 1976, as amended, and the rules and regulations thereunder (the “HSR Act”) and any similar foreign legislation. Each Party will furnish to the other such necessary information and assistance as such Party may reasonably request in connection with the preparation of any necessary filings or submissions by it to any U.S. or foreign governmental agency, including any filings necessary under the provisions of the HSR Act. Notwithstanding anything to the contrary in this Agreement, no Party nor any of their Affiliates will be required to make any disposition, including any disposition of, or any agreement to hold separate, any Subsidiary, asset or business, and no Party nor any of their Affiliates will be required to comply with any condition or undertaking or take any action which, individually or in the aggregate, would materially adversely affect the economic benefits to such Party of the transactions contemplated hereby and by the Related Agreements, taken as a whole or adversely affect any other business of such Party or its Affiliates. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of the Parties and their respective Affiliates will execute such further documents (including assignments, acknowledgments and consents and other instruments of transfer) and will take such further action as will be necessary or desirable to effect such transfer and to otherwise carry out the purposes of this Agreement, in each case to the extent not inconsistent with applicable law.

(b) P&G will have the right [* * *] year, upon reasonable notice to Clorox to have an independent public accounting firm review and audit that portion of the books, records and accounts of the Glad Business with respect to those transactions attributed to the Glad Business that are between Clorox and any Affiliate of Clorox for which the consent of P&G is not sought pursuant to Section 5.3(a)(v) by reason of such transactions being within the scope of Section 5.3(a)(v)(x). P&G agrees to cause any review conducted pursuant to this Section 7.5(b) to be conducted in a manner so as not to unreasonably interfere with the normal business operations of the Glad Business.

(c) In the event the Clorox Partners or any of their Subsidiaries wish to [* * *] of any business, division, Person or asset for which transaction the consent of the P&G Partners is required pursuant to [* * *], Clorox will notify the P&G Partners and if the P&G Partners notifies Clorox in writing within [* * *] of receipt of such notice that the P&G Partners has made a [* * *] to pursue a [* * *] business, division, Person or asset, Clorox and the P&G Partners will negotiate [* * *] for a period not to exceed [* * *] with respect to [* * *] by the P&G Partners of such business, division, Person or asset, on terms [* * *] Clorox and the P&G Partners, provided that it is understood that in the event the P&G Partners and Clorox do not enter into a binding agreement with respect to [* * *] to each Party in [* * *] within such [* * *] day period, Clorox will have the right thereafter to [* * *] and enter into a [* * *] of such business, division, Person or asset with any other Person.

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(d) In the event of a Third-Party Sale by Clorox, Clorox will determine the actuarial liabilities with respect to the pensions of any defined benefit pension plans maintained by Clorox or any Affiliate which are subject to the funding requirements of Section 412 of the Code in which personnel engaged in the Glad Global Business at the time of the proposed sale are participating (the “Defined Benefit Plans”), based on the same actuarial assumptions that Clorox uses to fund the Defined Benefit Plans over time. Clorox will determine the pro rata portion of those actuarial liabilities attributable to Glad Global Business personnel who will become employees of the purchaser in connection with the proposed sale (the “Pro Rata Portion”) assumed as compared to the total actuarial liabilities for the Defined Benefit Plans. Clorox will propose that the purchaser accept a spin-off of the Pro Rata Portion to a tax-qualified defined benefit pension plan maintained by the purchaser for its own employees (a “Purchaser Plan”) to such assets for the benefit of the Glad Global Business personnel who become employees of the purchaser in connection with the proposed sale. To the extent the purchaser negotiates a transaction in which an amount different from the Pro Rata Portion is spun off from the Defined Benefit Plans to the Purchaser Plan then (i) if the purchaser accepts an amount less than the Pro Rata Portion, P&G Sub will receive an amount equal to (A) its Ordinary JV Interest percentage multiplied by (B) the difference between the Pro Rata Portion and the actual amount accepted by the purchaser and (ii) if the purchaser acquires more than the Pro Rata Portion, P&G Sub’s purchase price received for its interest in the Joint Venture will be decreased by an amount equal to (A) its Ordinary JV Interest percentage multiplied by (B) the difference between the amount proposed by Clorox in accordance with the immediately preceding sentence and the actual amount accepted by the purchaser. With respect to any post-retiree healthcare benefits not assumed by the third party purchaser, the JV Partners will divide that expense between them, based on their proportionate share of the actuarial liabilities with respect to such benefit programs calculated on the basis of their relative Ordinary JV Interests.

(e) Prior to the Closing, the Clorox Parties will deliver to the P&G Parties a supplement to Schedules 2.2(a)(i) and 2.2(a)(iii) setting forth the amounts of the eliminations and additions referenced therein (the “Supplemental Schedule”).

Section 7.6 Public Statements .

Before any Party or any Affiliate of such Party will release any information concerning this Agreement or the matters contemplated hereby which is intended for or may result in public dissemination thereof, they will cooperate with the other Parties, will furnish drafts of all documents or proposed oral statements to the other Parties, provide the other Parties the opportunity to review and comment upon any such documents or statements and will not release or permit release of any such information without the consent of the other Parties, except to the extent required by applicable law or the rules of any securities exchange or automated quotation system on which its securities or those of any of its Affiliates are traded.

Section 7.7 Conduct of Business .

(a) The Clorox Parties agree that prior to the Closing Date, without the prior written consent of the P&G Partners, which consent will not be unreasonably withheld, as may be expressly permitted or contemplated by this Agreement or as may be set forth in Section 7.7 of the Clorox Disclosure Schedule hereto, the Clorox Parties will cause the Glad Global Business:

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(i) to be conducted in the usual, regular and ordinary course of business consistent with past practice, and will use [* * *] efforts to preserve intact the Glad Global Business, keep available the services of their employees and preserve their relationships with customers, suppliers, licensees, licensors, distributors, agents and others having business dealings with the Glad Global Business;

(ii) to (A) maintain its inventory of supplies, parts and other materials and keep its books of account, records and files, in each case in the ordinary course of business consistent with past practice, (B) maintain its promotional activities and expenditures in the ordinary course of business consistent with past practice and (C) maintain in full force and effect property damage, liability and other insurance with respect to the Glad Global Business and its assets and properties providing coverage against such risks and in at least the amounts as provided by the insurance policies currently maintained by the Clorox Parties with respect to the Glad Global Business to the extent reasonably available;

(iii) not to sell, transfer or otherwise dispose of any business, assets, rights or properties of the Glad Global Business other than (A) sales of obsolete or worn-out equipment or other assets no longer used in the Glad Global Business not exceeding a value in excess of \$[* * *] individually or \$[* * *] in the aggregate, (B) sales of inventory in the ordinary course of business, (C) sales, transfers or other dispositions of assets or properties that will be replaced prior to the Closing with assets or properties of a comparable value or utility that will be attributed to the Glad Global Business or (D) sales, transfers or dispositions in the ordinary course of the Glad Global Business consistent with past practice and not exceeding a value in excess of \$[* * *] individually or \$[* * *] in the aggregate not otherwise included in the foregoing clauses (A) through (C); and

(iv) not to take any action for which the consent of the P&G Partners would be required after the Closing Date pursuant to Section 5.3(a) hereof.

(b) Notwithstanding the provisions of Section 7.7(a), the Parties agree that cash and cash equivalents (excluding petty cash) of the Glad Global Business prior to Closing will be a Clorox Excluded Asset pursuant to the provisions of Section 2.2(b) hereof. The Clorox Parties will have the right to remove any such cash or cash equivalents (excluding petty cash) from the Glad Global Business prior to the Closing, subject to the representation and warranty contained in Section 4.2(a)(ii) hereof.

(c) The P&G Parties agree that prior to the Closing Date, without the prior written consent of Clorox, the P&G Parties will not sell, transfer or otherwise dispose of (i) any P&G Equipment or (ii) the Forceflex Technology or Impress Technology (in each case as such terms are defined in the P&G License Agreement) to be licensed to the Clorox Parties pursuant to the P&G License Agreement. The P&G Parties agree that they will comply with the provisions of Section 7.4 of the form of License Agreement attached as Exhibit A, which provisions are incorporated by reference herein.

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Section 7.8 International Relationships.

The Parties have agreed that to the extent the Glad Global Business expands to establish operations in any country other than the United States, Canada, Australia New Zealand, China, Philippines, Hong Kong, Costa Rica, Korea and South Africa (a “New Country”), the Parties will enter a relationship in such New Country, which relationship will, at the election of the Clorox Partners, either (a) have a structure and be on terms substantially similar to those under the JV Sublicense Agreements and the Glad License Agreements for the International Licensees or (b) have the structure and be on the terms set forth on Exhibit G hereto, in each case unless the Parties mutually determine that such structure would result in material adverse tax consequences to P&G or Clorox, in which case P&G and Clorox will negotiate in good faith to modify the structure as necessary to avoid such adverse tax consequences. The Parties do not intend for the provisions of this Section 7.8 to specify any particular operational structure to be used in any New Country or to set in advance compensation to be received by P&G or its Affiliates in connection with any services that may be provided by P&G or its Affiliates as a service provider to the operations in such New Country. The Parties agree to use all [* * *] efforts and to negotiate in good faith to complete the documentation necessary to implement any such relationship. For the avoidance of doubt, in the event that notwithstanding the provisions of this Section 7.8, the Parties are unable to agree upon the implementation of any such relationship in any country, such failure will not prevent the Glad Global Business from entering into operation in the country in question.

Section 7.9 Sublicenses of P&G Intellectual Property.

(a) To the extent The Glad Products Company or its Affiliates, on behalf of the Joint Venture, sublicenses any of the Intellectual Property licensed to it by P&G Sub under the P&G License Agreement to any Affiliate of Clorox, each of The Glad Products Company and the other Clorox Parties agree as follows during the term of any such sublicense:

(i) to [* * *] with respect to [* * *] relating to the licensees under any such sublicenses and the [* * *] conducted by such licensees. For purposes of this Section 7.9(a), materiality will be judged based on the Glad Licensed Business taken as a whole, provided that (i) [* * *] Glad Local Business, (ii) any [* * *] in excess of \$[* * *] and (iii) any [* * *] that will be attributed to any Glad Local Business that [* * *] will be deemed to be material;

(ii) to provide P&G Sub with copies of the information and reports such Party receives from the licensees under any such sublicenses, and upon the reasonable request of P&G Sub, obtain from the licensees under such sublicenses, additional information concerning the Glad Licensed Business;

(iii) not to [* * *], to the extent such Party has the right under any such sublicense to [* * *] with respect to the Joint Venture and the Glad Business;
and

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(iv) to use [* * *] efforts to cause the licensees under any such sublicenses to conduct the Glad Local Businesses conducted by such licensees in a manner not inconsistent with the overall strategic direction of the Glad Business, but subject to local market conditions and other circumstances of the jurisdictions in which such Glad Local Businesses are conducted.

(b) P&G will have the right [* * *] year, upon reasonable notice to The Glad Products Company, to have an independent public accounting firm review and audit the books, records and accounts of the Glad Licensed Business, at P&G's expense. P&G agrees to cause any review conducted pursuant to this Section 7.9(b) to be conducted in a manner so as not to unreasonably interfere with the normal business operations of the Glad Licensed Business.

ARTICLE VIII

CONDITIONS PRECEDENT TO CLOSING

Section 8.1 Conditions to Each Party's Obligations.

The respective obligations of each Party to consummate the transactions contemplated by this Agreement to occur at the Closing will be subject to the fulfillment of the following conditions on or prior to the Closing Date:

(a) no statute, rule, regulation, executive order, decree, or preliminary or permanent injunction will have been enacted, entered, promulgated or enforced by any state, federal or foreign court of competent jurisdiction or Governmental Authority which prohibits consummation of the transactions contemplated by this Agreement and the Related Agreements, whether temporary, preliminary or permanent; provided, however, that subject to the terms of this Agreement the Parties will use their [* * *] efforts to have such order, decree or injunction vacated;

(b) the waiting period applicable to the consummation of the transactions contemplated by this Agreement under the HSR Act will have expired or been earlier terminated; and

(c) all orders, consents and approvals of Governmental Authorities legally required for the consummation of the transactions contemplated by this Agreement will have been obtained and be in effect at the Closing Date, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a material adverse effect upon the Company or its future business or results of operations.

Section 8.2 Conditions to the Closing Obligations of the Clorox Parties.

The obligations of the Clorox Parties to consummate the transactions contemplated by this Agreement to occur at the Closing will be subject to the fulfillment of the following additional conditions:

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(a) The P&G Parties will have performed in all material respects their obligations under this Agreement and any Related Agreement required to be performed by them at or prior to the Closing Date, and the representations and warranties of the P&G Parties set forth in this Agreement (i) that are qualified as to Material Adverse Effect will be true and correct in all respects and (ii) that are not so qualified will be true and correct in all material respects at and as of the Closing Date as if made at and as of such time, except to the extent that any such representation or warranty specifically speaks to a specified date, in which case such representation or warranty will have been true and correct as of such date, and the Clorox Parties will have received a certificate to such effect dated the Closing Date signed on behalf of the P&G Parties by an executive officer thereof; and

(b) The P&G Parties will have duly authorized, executed and delivered to the Clorox Parties at or prior to the Closing Date each of the Related Agreements to which it is a party, and each such Related Agreements will be in full force and effect.

Section 8.3 Conditions to the Closing Obligations of the P&G Parties.

The obligations of the P&G Parties to consummate the transactions contemplated by this Agreement to occur at the Closing will be subject to the fulfillment of the following additional conditions:

(a) the Clorox Parties will have performed in all material respects their obligations under this Agreement and any Related Agreement required to be performed by them at or prior to the Closing Date, and the representations and warranties of the Clorox Parties set forth in this Agreement (i) that are qualified as to Material Adverse Effect will be true and correct in all respects and (ii) that are not so qualified will be true and correct in all material respects at and as of the Closing Date as if made at and as of such time, except to the extent that any such representation or warranty specifically speaks to a specified date, in which case such representation or warranty will have been true and correct as of such date, and in the case of each of the representations and warranties to the extent relating to the Glad Existing International Business will not be subject to any exceptions other than as set forth in the Clorox Disclosure Schedule that would reasonably be expected to have a Material Adverse Effect, and the P&G Parties will have received a certificate to such effect dated the Closing Date signed on behalf of the Clorox Parties by an executive officer of Clorox;

(b) each Clorox Party will have duly authorized, executed and delivered to the P&G Parties at or prior to the Closing Date each of the Related Agreements to which it is a party, and each such Related Agreement will be in full force and effect; and

(c) the Clorox Parties shall have delivered the Supplemental Schedule to the P&G Parties.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

ARTICLE IX

ACCOUNTING; TAX MATTERS

Section 9.1 Accounting.

(a) The accounting principles and policies adopted with respect to the Joint Venture are set forth on Exhibit H hereto (the “JV Accounting Principles”). The JV Accounting Principles shall also apply to the conduct of the Glad Licensed Business.

(b) Each JV Partner will be supplied with estimates of income and other information necessary to enable such JV Partner to prepare in a timely manner its U.S. federal, state and local income estimated tax returns (and extension payments, if any) and such other financial or other statements and reports that the Board deems appropriate; provided that each JV Partner will be provided with copies of Schedule K-1 for the Joint Venture for such Fiscal Year no later than seven (7) calendar months after the end of the first two Fiscal Years of the Joint Venture and no later than six (6) calendar months after the end of any Fiscal Year thereafter.

(c) Within (i) sixty (60) days after the end of each of the first eight Fiscal Quarters, and after the end of any Fiscal Quarter thereafter, (A) forty-five (45) days with respect to the Glad Business and (B) sixty (60) days with respect to each Glad Local Business and (ii) 120 days after the close of each of the first two Fiscal Years of the Joint Venture and within ninety (90) days after the end of any Fiscal Year thereafter, the Board will cause to be prepared in accordance with the JV Accounting Principles and submitted to each JV Partner the balance sheet of the Glad Business and each Glad Local Business as of the end of such period and a statement of income or loss and a statement of cash flows of the Glad Business and each Glad Local Business for such period.

(d) The Clorox Partners will keep or cause to be kept books and records pertaining to the business attributed to the Joint Venture showing all of its assets and Liabilities, receipts and disbursements, realized profits and losses, JV Partner’s Capital Accounts and all transactions attributed to the Joint Venture. Such books and records of the Joint Venture will be kept at the Glad Business headquarters in Oakland, California and the JV Partners and their representatives will at all reasonable times have free access thereto for the purpose of inspecting or copying the same.

(e) In case of a Transfer of all or part of the JV Interest of any JV Partner, the Board may cause the Joint Venture to elect, pursuant to Section 734, 743 and 754 of the Code to adjust the basis of the assets attributed to the Joint Venture; provided, however, the election under Section 754 will [* * *] to the Board’s discretion and such election will be made timely if [* * *] in connection with [* * *].

(f) The Parties acknowledge and agree that from time to time during the Term, as the Glad Business changes, adjustments may become necessary to the JV Accounting Principles or the provisions of this Agreement to maintain the intended relative economic interests of the Parties hereunder as well as the intended economic benefits to the Parties of this Joint Venture as effected by this Agreement as of the Closing. The Parties agree to negotiate in good faith to amend the JV Accounting Principles and this Agreement as may be necessary to maintain such relative economic interests and intended economic benefits, and any such adjustment or amendment pursuant to this Section 9.1(f) must be mutually agreed upon by all the JV Partners.

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(g) Clorox's internal audit group will perform a review at least once every 24 months of the financial statements and processes and procedures of the Glad Business, which review will be conducted in a manner consistent with that used for scheduled periodic reviews by such internal audit group of other Clorox businesses. The report with respect to such review will be provided to the Board.

(h) P&G will have the right [* * *] year, upon reasonable notice to Clorox to have an independent public accounting firm review and audit the books, records and accounts of the Glad Business, at P&G's expense. P&G agrees to cause any review conducted pursuant to this Section 9.1(h) to be conducted in a manner so as not to unreasonably interfere with the normal business operations of the Glad Business.

Section 9.2 Tax Matters.

(a) The taxable year of the Joint Venture will be the same as its Fiscal Year.

(b) The JV Partners agree and acknowledge that the Joint Venture will not be subject to the provisions of Sections 6221, *et. seq.*, of the Code. The JV Partners further agree that the Joint Venture will not elect, nor will any JV Partner, the Board, or any other Person, elect on behalf of the Joint Venture, to cause the Joint Venture to be subject to said unified Tax Proceedings. Accordingly, no JV Partner will have any authority to represent the Joint Venture before the Internal Revenue Service or other Tax authority in a unified Tax proceeding, nor will any JV Partner have authority to sign any consent, enter into any settlement agreement, extend the statute of limitations, compromise any Tax dispute, or take any other action regarding a Tax audit proceeding on behalf of any other JV Partner (except that Clorox Parties may take such actions on behalf of other Clorox Parties). Each of Clorox and P&G Sub agree to keep the other informed as to the progress of Tax audits, examinations and proceedings of such Parties or their Affiliates that relate to Tax items attributable to the Joint Venture.

(c) The Board will cause to be prepared all federal, state and local tax returns of the Joint Venture for each year for which such returns are required to be filed and will cause such returns to be timely filed. The Board will determine the appropriate treatment of each item of income, gain, loss, deduction and credit attributed to the Joint Venture and the accounting methods and conventions under the tax laws of the United States, the several States and other relevant jurisdictions as to the treatment of any such item or any other method or procedure related to the preparation of such tax returns. Each JV Partner agrees that it will take no position on its tax returns inconsistent with the position taken on the Joint Venture's tax returns. The Board on behalf of the Joint Venture may make all elections for federal income tax purposes; provided that, if such election would have a material adverse effect on P&G, the Board will provide notice to and consult P&G regarding such election.

(d) The JV Partners intend for the Joint Venture to be treated as a partnership for U.S. federal, state and local income tax purposes, and no JV Partner (nor any Person acting on behalf of the Joint Venture) will take any action inconsistent with such treatment.

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ARTICLE X

INDEMNIFICATION

Section 10.1 Indemnification by Clorox Partners .

From and after the Closing Date, the Clorox Partners will jointly and severally indemnify and hold harmless the P&G Parties and their respective Affiliates, and the respective directors, officers, employees and agents of any of the foregoing and any of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “P&G Indemnified Parties”) from and against any and all damages, claims, losses, expenses, costs, obligations and Liabilities including, without limiting the generality of the foregoing, Liabilities for all reasonable attorneys’ fees and expenses (including attorney and expert fees and expenses incurred to enforce successfully the terms of this Agreement) (collectively, “Losses and Expenses”) suffered or incurred by any such P&G Indemnified Party arising from, relating to or otherwise in respect of, (a) any breach of, or inaccuracy in, any representation or warranty of the Clorox Parties contained in this Agreement or in the certificate delivered by the Clorox Parties pursuant to Section 8.3(a) of this Agreement, (b) any breach of any covenant or other agreement of the Clorox Parties contained in this Agreement, and (c) any Clorox Retained Liabilities. The aggregate indemnification obligations of the Clorox Partners pursuant to the foregoing clause (a), together with the indemnification obligations of such Persons with respect to breaches of representations and warranties under the P&G License Agreement, will be limited to a maximum of \$28,000,000, and the Clorox Partners will have no indemnification obligations with respect to such clause (a) unless the aggregate of all Losses and Expenses relating thereto and with respect to breaches of representations and warranties under the P&G License Agreement for which the Clorox Partners would, but for this provision, be liable exceeds on a cumulative basis an amount equal to \$3,000,000 , and then only to the extent of any such excess. Any claims for indemnification pursuant to such clause (a) must be made prior to the date that is eighteen (18) months after the Closing Date. From and after the Closing Date, the Clorox Partners will further jointly and severally indemnify and hold harmless the P&G Indemnified Parties from and against any and all Losses and Expenses arising out of or related to any third party claim that any P&G Indemnified Party has any Liability or obligation with respect to any Liability attributed to the Joint Venture or arising out of or related to the Glad Business or the Glad Licensed Business, provided that such indemnification will not apply to any Liability or obligation for which any P&G Indemnified Party has agreed to provide indemnification or is otherwise expressly liable for pursuant to the terms of the Related Agreements.

Section 10.2 Indemnification by P&G Partners .

From and after the Closing Date, the P&G Partners will indemnify and hold harmless each of the Clorox Partners and their respective Affiliates, and the respective directors, officers, employees and agents of any of the foregoing, and any of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “Clorox Indemnified Parties” and together with the P&G Indemnified Parties, the “Indemnified Parties”) from and against any and all Losses and Expenses suffered or incurred by any such Clorox Indemnified Party arising from, relating to or otherwise in respect of, (a) any breach of, or inaccuracy in, any representation or warranty of the P&G Parties contained in this Agreement or in the certificate delivered by the P&G Parties pursuant to Section 8.2(a) of this Agreement, (b) any breach of any covenant or other agreement of the P&G Parties contained in this Agreement and (c) any Permitted Liens existing as of the Closing with respect to the P&G Equipment. The aggregate indemnification obligations of the P&G Partners pursuant to the foregoing clause (a), together with the indemnification obligations of such Persons with respect to breaches of representations and warranties under the P&G License Agreement, will be limited to a maximum of \$28,000,000, and the P&G Partners will have no indemnification obligations with respect to such clause (a) or with respect to breaches of representations and warranties under the P&G License Agreement, unless the aggregate of all Losses and Expenses relating thereto for which the P&G Partners would, but for this provision, be liable exceeds on a cumulative basis an amount equal to \$3,000,000, and then only to the extent of any such excess. Any claims for indemnification pursuant to such clause (a) must be made prior to the date that is eighteen (18) months after the Closing Date.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Section 10.3 Third-Party Claims.

If a claim by a third party is made against an Indemnified Party hereunder, and if such Indemnified Party intends to seek indemnity with respect thereto under this Article X, such Indemnified Party will promptly notify Clorox, in the case of a P&G Indemnified Party, or P&G, in the case of a Clorox Indemnified Party (such person to be notified, the “Indemnifying Party”) in writing of such claims setting forth such claims in reasonable detail, provided that failure of such Indemnified Party to give prompt notice as provided herein will not relieve the Indemnifying Party of any of its obligations hereunder, except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will have twenty (20) days after receipt of such notice to undertake, through counsel of its own choosing, subject to the reasonable approval of such Indemnified Party, and at its own expense, the settlement or defense thereof, and the Indemnified Party will cooperate with it in connection therewith; provided, however, that the Indemnified Party may participate in such settlement or defense through counsel chosen by such Indemnified Party, provided that the fees and expenses of such counsel will be borne by such Indemnified Party. If the Indemnifying Party will assume the defense of a claim, it will not settle such claim without the prior written consent of the Indemnified Party, (a) unless such settlement includes as an unconditional term thereof the giving by the claimant of a release of the Indemnified Party from all Liability with respect to such claim or (b) if such settlement involves the imposition of equitable remedies or the imposition of any material obligations on such Indemnified Party other than financial obligations for which such Indemnified Party will be indemnified hereunder. If the Indemnifying Party will assume the defense of a claim, the fees of any separate counsel retained by the Indemnified Party will be borne by such Indemnified Party unless there exists a conflict between them as to their respective legal defenses (other than one that is of a monetary nature), in which case the Indemnified Party will be entitled to retain separate counsel, the reasonable fees and expenses of which will be reimbursed by the Indemnifying Party. If the Indemnifying Party does not notify the Indemnified Party within twenty (20) days after the receipt of the Indemnified Party’s notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the Indemnified Party will have the right to contest, settle or compromise the claim but will not thereby waive any right to indemnity therefor pursuant to this Agreement. The indemnification provisions set forth in this Article X are the sole and exclusive means of recovery of money damages with respect to the matters covered herein, except for fraud.

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Section 10.4 Limitation on Losses and Expenses

Notwithstanding anything to the contrary contained herein, no Indemnifying Party will be liable for any punitive damages pursuant to this Agreement or any of the Related Agreements (it being understood that any punitive damages paid by any Indemnified Party to any third party will be considered direct damages not subject to this Section 10.4).

ARTICLE XI

MISCELLANEOUS

Section 11.1 Amendments and Waivers.

This Agreement may be amended only by a written instrument executed by Clorox and the P&G Partners. Any amendment effected in accordance with the immediately preceding sentence will be binding on all of the Parties to this Agreement. No failure or delay by any Party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 11.2 Successors, Assigns and Transferees.

The provisions of this Agreement will be binding upon and will inure to the benefit of the Parties and their respective successors and Permitted Transferees, each of which will agree in a writing reasonably satisfactory in form and substance to Clorox and the P&G Partners to become a Party hereto and be bound to the same extent hereby as the transferor that has transferred the JV Interest. No Party to this Agreement may assign any of its rights or obligations under this Agreement to any person other than a Permitted Transferee without the prior written consent of the other Parties.

Section 11.3 Notices.

Any notices or other communications required or permitted hereunder will be sufficiently given if (a) delivered personally, (b) transmitted by facsimile (with written transmission confirmation), (c) mailed by certified or registered mail (return receipt requested) (in which case such notice will be deemed given on the third day after such mailing) or (d) sent by overnight Federal Express or other overnight courier (with written delivery confirmation), addressed as follows or to such other address of which the Parties may have given notice:

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

To the Clorox Partners :

The Clorox Company
1221 Broadway
Oakland, CA 94612
Attention: General Counsel
Facsimile: (510) 271-1696
Telephone: (510) 271-4737
E-mail: pete.bewley@clorox.com

To the P&G Partners :

The Procter & Gamble Company
One P&G Plaza
Cincinnati, OH 45202
Attention: Jeffrey D. Weedman, Vice President
Facsimile: (513) 983-0911
Telephone: (513) 983-1921
E-mail: weedman.jd@pg.com

With copies to :

The Procter & Gamble Company
One P&G Plaza
Cincinnati, OH 45202
Attention: Chris Walther
Telecopy: (513) 983-2611
Telephone: (513) 983-8469
E-mail: walther.cb@pg.com

Section 11.4 Integration.

This Agreement, the Related Agreements and the documents referred to herein or therein, or delivered pursuant hereto or thereto, contain the entire understanding of the Parties with respect to the subject matter hereof and thereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein. This Agreement supersedes all other prior agreements and understandings between the Parties with respect to such subject matter.

Section 11.5 Severability.

If one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences hereof will not be in any way impaired, it being intended that all rights, powers and privileges of the Parties will be enforceable to the fullest extent permitted by law.

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Section 11.6 Counterparts.

This Agreement may be executed in two or more counterparts, and by different Parties on separate counterparts each of which will be deemed an original, but all of which will constitute one and the same instrument.

Section 11.7 Governing Law.

This Agreement will be construed in accordance with, and the rights of the Parties will be governed by, the laws of the State of New York.

Section 11.8 Arbitration.

(a) The Parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement. Either Clorox or the P&G Partners may initiate negotiations on behalf of the Clorox Partners or the P&G Partners, as the case may be, by providing written notice in letter form to the other Party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within five days with a statement of its position on and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each of Clorox and the P&G Partners with full settlement authority will meet at a mutually agreeable time and place within ten (10) days of the date of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved by these negotiations, the matter will be submitted to JAMS, or its successor, for mediation.

(b) Either Clorox or the P&G Partners may commence mediation on behalf of the Clorox Partners or the P&G Partners, as the case may be, by providing to JAMS and the other Party a written request for mediation, setting forth the subject of the dispute and the relief requested. The Parties will cooperate with JAMS and with one another in selecting a mediator from JAMS' panel of neutrals, and in scheduling the mediation proceedings. The Parties covenant that they will participate in the mediation in good faith, and that Clorox, on the one hand, and the P&G Partners, on the other hand, will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Either Clorox or the P&G Partners may initiate arbitration on behalf of the Clorox Partners or the P&G Partners, as the case may be, with respect to the matters submitted to mediation by filing a written demand for arbitration at any time following the initial mediation session or 45 days after the date of filing the written request for mediation, whichever occurs first. The mediation may continue after the commencement of arbitration if the Parties so desire. Unless otherwise agreed by the Parties, the mediator will be disqualified from serving as arbitrator in the case. The provisions of this Section 11.8 may be enforced by any court of competent jurisdiction, and the Party seeking enforcement will be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom enforcement is ordered.

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(c) Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, which is not resolved through negotiation or mediation, will be determined by arbitration conducted in Oakland, CA, before a sole arbitrator based in the state of New York, in accordance with the laws of the State of New York for agreements made in and to be performed in that State. The arbitration will be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures unless Clorox and the P&G Partners agree to use its Streamlined Arbitration Rules and Procedures. The arbitrator's decision and award with respect to the dispute referred to will be final and binding on the Parties and may be entered in any court with jurisdiction, and the Parties will abide by such decision and award.

(d) The arbitrator will, in its award, allocate all of the costs of the arbitration (and the mediation, if applicable), including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing Party, against the Party who did not prevail, if any.

Section 11.9 Injunctive Relief.

Each of the Parties acknowledges and agrees that pending the outcome of any arbitration proceeding pursuant to Section 11.8, each of the Parties will be entitled to an injunction, restraining order or other equitable relief to prevent breaches of the provisions of this Agreement and the Related Agreements in any court of competent jurisdiction solely for the purpose of maintaining the status quo, in addition to any other remedy to which they may be entitled pursuant to the terms hereof.

Section 11.10 Expenses.

Except as set forth in this Agreement and the Related Agreements, whether or not the transactions contemplated by this Agreement are consummated, all legal and other costs and expenses incurred in connection with this Agreement and the Related Agreements and the transactions contemplated hereby will be paid by the Party incurring such costs.

Section 11.11 No Third Party Beneficiaries.

Except for the rights of the Indemnified Parties pursuant to Article X, nothing in this Agreement, express or implied, is intended to confer upon any Person, other than the Parties or their respective successors and permitted assigns, any rights, remedies, benefits, obligations or Liabilities of any nature whatsoever under or by reason of this Agreement.

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Section 11.12 Guarantees by Clorox and P&G.

(a) In consideration of the P&G Parties entering into this Agreement, Clorox hereby fully and unconditionally guarantees that each of the Clorox Parties will fully perform and discharge when due all of its obligations and Liabilities under this Agreement and each of the Related Agreements, including but not limited to full and punctual payment and discharge when due of all of the Clorox Parties' indemnification obligations to the P&G Indemnified Parties under this Agreement and each of the Related Agreements. The guarantee of Clorox pursuant to this Section 11.12(a) is an absolute, unconditional and continuing guarantee of the full and punctual payment and performance by the Clorox Parties of such obligations and Liabilities when due and not of their collectibility only and is in no way conditioned upon any requirement that the P&G Parties first attempt to collect any of the obligations or Liabilities from the Clorox Parties, or upon any other contingency whatsoever. The obligations of Clorox hereunder are absolute and unconditional regardless of the validity or enforceability of this Agreement or any of the Related Agreements against any Clorox Partner. Clorox hereby waives any legal or equitable defense to the enforceability of the provisions of this Section 11.12(a).

(b) In consideration of the Clorox Parties entering into this Agreement, P&G hereby fully and unconditionally guarantees that each of the P&G Parties will fully perform and discharge when due all of its obligations and Liabilities under this Agreement and each of the Related Agreements, including but not limited to full and punctual payment and discharge when due of all of the P&G Parties' indemnification obligations to the P&G Indemnified Parties under this Agreement and each of the Related Agreements. The guarantee of P&G pursuant to this Section 11.12(b) is an absolute, unconditional and continuing guarantee of the full and punctual payment and performance by the P&G Parties of such obligations and Liabilities when due and not of their collectibility only and is in no way conditioned upon any requirement that the Clorox Parties first attempt to collect any of the obligations or Liabilities from the P&G Parties, or upon any other contingency whatsoever. The obligations of P&G hereunder are absolute and unconditional regardless of the validity or enforceability of this Agreement or any of the Related Agreements against any P&G Partner. P&G hereby waives any legal or equitable defense to the enforceability of the provisions of this Section 11.12(b).

(c) In consideration of the Clorox Parties entering into this Agreement and the License Agreement, P&G hereby fully and unconditionally guarantees that any Person to whom any Intellectual Property subject to the P&G License Agreement is transferred in accordance with Section 7.3 of the P&G License Agreement and any subsequent Persons to whom such Intellectual Property may be transferred (collectively, "IP Transferees") will fully perform and discharge when due all of their obligations and Liabilities under the P&G License Agreement, including but not limited to any licenses granted pursuant to Article 2, Article 3 or Article 6 of the P&G License Agreement. The guarantee of P&G pursuant to this Section 11.12(b) is an absolute, unconditional and continuing guarantee of the full and punctual payment and performance by the IP Transferees of such obligations and Liabilities when due and not of their collectibility only and is in no way conditioned upon any requirement that the Clorox Parties first attempt to collect any of the obligations or Liabilities from the IP Transferees, or upon any other contingency whatsoever. The obligations of P&G hereunder are absolute and unconditional regardless of the validity or enforceability of the License Agreement against any IP Transferee. P&G hereby waives any legal or equitable defense to the enforceability of the provisions of this Section 11.12(c).

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Section 11.13 Effectiveness of Amendment and Restatement, Representations, Warranties and Agreements.

This Agreement amends and restates certain provisions of the Original Agreement and restates the terms of the Original Agreement in their entirety. All amendments to the Original Agreement effected by this Agreement, and all other covenants, agreements, terms and provisions of this Agreement shall have effect as of the Original Date unless expressly stated otherwise. This Agreement shall be effective as of the date that copies hereof have been executed and delivered by each of the Parties. Each of the representatives and warranties made in this Agreement shall be deemed to be made on and as of the Original Date and not made as of the date hereof.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

THE CLOROX COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Group Vice President

THE GLAD PRODUCTS COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Vice President

GLAD MANUFACTURING COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Vice President

CLOROX SERVICES COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Vice President

[Signature Page to Amended and Restated Joint Venture Agreement]

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THE CLOROX SALES COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Vice President

CLOROX INTERNATIONAL COMPANY

By: /s/ Larry Peiros
Name: Larry Peiros
Title: Vice President

THE PROCTER & GAMBLE COMPANY

By: /s/ Jeffrey D. Weedman
Name: Jeffrey D. Weedman
Title: Vice President, External Business
Development & Global Licensing

PROCTER & GAMBLE RHD, INC.

By: /s/ Jeffrey D. Weedman
Name: Jeffrey D. Weedman
Title: Attorney-in-fact

[Signature Page to Amended and Restated Joint Venture Agreement]

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Exhibit C
Description of P&G Equipment

[* * *]

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Exhibit D
Preliminary Business Plan

[* * *]

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Exhibit E
Preliminary Budget

[* * *]

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EXHIBIT F
CLOROX CORPORATE SERVICES

1. Clorox Services and Personnel. Clorox will provide to the Glad Global Business payroll, product supply, project management, human resource services, information systems services, facilities services, treasury, tax, financial system and accounting services, legal services and other corporate services currently provided by Clorox, which are referred to as "Clorox Services" for purposes of this Agreement. Clorox will provide or will cause to be provided to the Glad Global Business the Clorox Services at such levels as the Glad Global Business may require from time to time. The Board will review on an annual basis the costs and quality of the Clorox Services and determine whether it continues to be in the best interest of the Glad Global Business for Clorox to continue to provide all such services. The Glad Leadership Team will monitor the Clorox Services on an ongoing basis and will report to the Board on an annual basis as to the results of its review of the Clorox Services and will provide the Board with any recommendations for changes in the Clorox Services. The Board will promptly act on any such recommendation by the Glad Leadership Team.

2. Fees for Clorox Services. The fees Clorox will allocate to the Glad Global Business for the Clorox Services (the "Service Fees") shall be consistent with the JV Accounting Principles and will include apportioned amounts for facilities leases and supplies, salaries, bonuses and benefits (including pension plan costs) of Clorox employees who perform the Clorox Services, operating supplies, utilities, telephone, computers and/or other expenses as appropriate. Clorox and the Glad Global Business will use [* * *] efforts to identify Clorox Services that can be assumed by the Glad Global Business and no longer provided by Clorox corporate ("Assumed Services"). In addition, if the Glad Global Business can obtain any Clorox Service from a third party at [* * *] than the allocated cost of Clorox providing such Clorox Service, it is contemplated that the Glad Global Business will outsource such service and it will no longer be provided by Clorox corporate ("Outsourced Services" and, together with the Assumed Services, the "Push Down Services"). To the extent a Clorox Service becomes a Push Down Service in any calendar year, the Service Fee for such year will be reduced by an amount (the "Push Down Credit") equal to what the cost of providing such Clorox Service for that remainder of the calendar year (i.e. after the push down occurs) would have been based on the cost of providing such Clorox Service during the same period of the prior calendar year (determined in accordance with the JV Accounting Principles). To the extent that the Board of the Joint Venture unanimously determines to obtain any additional corporate services from Clorox ("Incremental Services") in any calendar year, the Service Fee for such year will be increased by an amount (the "Supplemental Amount") equal to the cost of providing such Incremental Services (which will thereafter be deemed Clorox Services) for the remainder of that calendar year.
 - (a) The Base Service Fee allocated to the Glad Global Business for calendar year 2003 (the "2003 Base Service Fee") will equal [* * *]% of the aggregate net sales of the Glad Global Business for calendar year 2002, as adjusted for the change in the Consumer Price Index during calendar year 2002 (i.e. if net sales in 2002 were \$[* * *] million and the Consumer Price Index increased by [* * *]%, the 2003 Base Service Fee would equal \$[* * *]). The actual Service Fee payable for 2003 will equal the 2003 Base Services Fee [* * *] the Push Down Credit for 2003 [* * *] the Supplemental Amount for 2003, if any

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- (b) The base Service Fee (the “Base Service Fee”) allocated to the Glad Global Business for each calendar year (the “Relevant Year”) commencing in 2004 will equal the Service Fee actually paid in the immediately preceding calendar year [* * *] the Push Down Adjustment for the immediate preceding calendar year [* * *] the Incremental Services Adjustment for the immediately preceding calendar year, as adjusted for the change in the Consumer Price Index during the immediately preceding calendar year (i.e. if the 2003 Service Fee was \$[* * *], the Push Down Adjustment for 2003 was \$[* * *], the Incremental Services Adjustment was zero and the Consumer Price Index increased by [* * *]% the Base Service Fee would equal \$[* * *]). The actual Service Fee payable for the Relevant Year will equal the Base Service Fee for the Relevant Year [* * *] the Push Down Credit for the Relevant Year [* * *] the Supplemental Amount for the Relevant Year, subject to the Cap and Floor described below.

The “Push Down Adjustment” for any calendar year will equal the sum of (x) the amount that the Push Down Credit would have been in such year had all Clorox Services that became Push Down Services in that calendar year become Push Down Services on the first day of that calendar year [* * *] (y) the actual Push Down Credit for that calendar year. The “Incremental Services Adjustment” for any calendar year will equal the sum of (A) the amount that the Supplemental Amount would have been in such year had all services that became Incremental Services in that calendar year become Incremental Services on the first day of that calendar year [* * *] (B) the actual Supplemental Amount for that calendar year.

- (c) In each calendar year beginning in 2004, the Services Fee will not be less than the Floor Amount (as defined below) for that calendar year of the aggregate net sales of the Clorox Global Business the immediately preceding calendar year nor greater than the Cap Amount (as defined below) for that calendar year of the aggregate net sales of the Clorox Global Business the immediately preceding calendar year. The Floor Amount will initially equal [* * *]% and the Cap Amount will initially equal [* * *]%. Beginning in 2004 the Floor Amount and the Cap Amount will be subject to adjustment annually as follows:
- (i) At such time as the sum of all Push Down Credits [* * *] all Push Down Adjustments [* * *] all Supplemental Amounts [* * *] all Incremental Services Adjustments occurring in or prior to a specific calendar year (the “Base Year”) exceeds [* * *]% of the aggregate net sales of the Glad Global Business in the Base Year (the percentage amount by which they exceed [* * *]% is referred to as the “Initial Adjustment Amount”), the Floor Amount and the Cap Amount for the immediately succeeding calendar year will be reduced by the Initial Adjustment Amount. The Floor Amount and the Cap Amount will remain at such lower levels unless and until further adjusted pursuant to this paragraph (c).

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

- (ii) To the extent that any additional Push Down Services are implemented after the Base Year (each year in which any such additional Push Down Service is implemented is referred to herein as an “Adjustment Year”), then the Floor Amount and the Cap Amount for the immediately succeeding year will be reduced by the percent of the aggregate net sales of the Glad Global Business in the Adjustment Year represented by the sum of the Push Down Credit for such Adjustment Year plus the Push Down Adjustment for such Adjustment Year, provided that the Floor Amount and the Cap Amount shall in no event be less than [* * *]. The Floor Amount and the Cap Amount will remain at such lower levels unless and until further adjusted pursuant to this paragraph (c).
 - (iii) To the extent that the Board of the Joint Venture unanimously determines to obtain any Incremental Services after the Base Year (each year in which any such additional Incremental Services are first obtained is referred to herein as a “Supplemental Adjustment Year”), then the Floor Amount and the Cap Amount for the immediately succeeding year will be increased by the percent of the aggregate net sales of the Glad Global Business in the Supplemental Adjustment Year represented by the sum of the Supplemental Amount for such Supplemental Adjustment Year plus the Incremental Services Adjustment for such Adjustment Year. The Floor Amount and the Cap Amount will remain at such increased levels unless and until further adjusted pursuant to this paragraph (c).
 - (d) The aggregate Push Down Credits for 2003 and 2004 plus the aggregate Push Down Adjustments for 2003 and 2004 will equal at least \$[* * *].
 - (e) The “Consumer Price Index” means the Consumer Price Index of Urban Consumers, West Region All Items (base period 1982-1984=100), as published by the Bureau of Labor Statistics of the United States Department of Labor or, if such index is no longer published or the method of computation thereof is substantially modified, an alternative index of similar weighting and geographic focus selected by the Board.
3. Payments. All Service Fees allocated to the Joint Venture pursuant to this Exhibit F shall be settled quarterly in arrears by the appropriate accounting entries. All Service Fees allocated to the Joint Venture hereunder will be expenses attributable to the Joint Venture in accordance with the Joint Venture Accounting Principles.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

4. Outsourcing. Any of the Clorox Services may be terminated by the Board at any time during the Term of the Joint Venture and thereby become Outsourced Services, upon 180 days prior written notice to Clorox specifying the Clorox Services to be terminated and the date of such termination, in the event the Board determines (i) that the Glad Global Business can obtain such services from a third party at a lower cost to the Glad Global Business or (ii) that it is otherwise in the best interest of the Glad Business to discontinue such Clorox Services. Clorox's actual direct costs incurred in connection with the termination of any Clorox Services that become Outsourced Services will be attributed to the Glad Global Business.
5. Relationship of the Parties. All persons employed by Clorox or its affiliates in the performance of the Clorox Services shall be the sole responsibility of Clorox and its affiliates and P&G shall have no obligation or responsibility with respect thereto except as expressly provided herein. The persons assigned by Clorox to provide the Clorox Services shall at all times remain employees of Clorox or its Affiliates, as applicable, and shall not, for any purposes, be or be deemed to be employees of any of P&G and P&G shall have no obligation or responsibility with respect thereto, including responsibility for payment of compensation, benefits, insurance and taxes related to such persons except as expressly provided herein.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

EXHIBIT G
TERMS OF INTERNATIONAL RELATIONSHIPS

- Structure**
- New Entity Through US Joint Venture*. In those countries in which the Glad business does not currently operate, the Clorox Parties will form an entity in the local country, which may be either a corporation or pass-through entity for United States tax purposes. The newly formed entity will be an asset deemed attributed to the United States Joint Venture. If the local entity is treated as a corporation for United States tax purposes, P&G will be directly issued one share of special voting stock equal to 10% of the vote in such entity, provided that such share shall not carry any dissenter's appraisal or similar rights, and that with respect to any matter that requires a vote or consent of the shareholders of such corporation, P&G shall agree to vote such shares in the same manner that Clorox votes with respect to all matters other than those matters with respect to which P&G has a veto right as described below under "Governance – P&G Veto".
- Contribution*. The Clorox Parties, on behalf of the joint venture, will contribute or license Intellectual Property rights associated with the Glad business to the newly formed entity and will contribute cash attributable to the joint venture to fund start-up costs. Cash distributions from the foreign entity to the Clorox Parties and proceeds from the sale of an interest in such entity received by the Clorox Parties will be distributed to the parties under the terms of the JV Agreement.
- Distributions*. The foreign entity will distribute or pay Distributable Cash Flow (either by distributions or royalty payments) of such entity to the Clorox Parties on an annual basis or, in the event the net profits of the business in the applicable jurisdiction exceed \$[* * *] per annum, on a quarterly basis. For the avoidance of doubt, Distributable Cash Flow will be reduced by applicable foreign income and other taxes. Also, for the avoidance of doubt, P&G will be entitled to its share of Section 902 (income) and/or Section 901 (withholding) tax credits with respect to such Distributable Cash Flow.
- Governance**
- International Board*. The international operations of the joint venture will be governed by a board of managers (the "International Board") that will have authority to make decisions with respect to the operations in all countries other than the United States in the same manner as the Board with respect to the United States operations.
- *Composition*. The International Board will consist of the same members as the Board for the United States business, with the same board observers being appointed by P&G.

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- Meeting and Procedures. Regular meetings of the International Board will be scheduled to occur immediately before or after the United States Board meetings. The terms with respect to the governance of the international operation will be substantially identical to the Joint Venture agreement for the United States, including with respect to meeting notice, voting, quorum, proxies and other similar procedural requirements, disclosure of information, expense reimbursement and other matters addressed in Sections 5.1 and 5.2 of the JV Agreement with respect to the Board in the United States.
- Other Board Approvals. The Board shall review and approve the budget, business plan and other actions to be taken by the international business in the same manner as detailed in Section 5.4 and 5.5 of the JV Agreement with respect to the United States operations.

P&G Veto. P&G will have the same veto rights with respect to international operations as it does in the United States (subject to the same dollar and other thresholds). Vetoes will be subject to the same resolution procedure as provided in Section 5.3 of the JV Agreement.

Local Governance. The general managers of the Glad business in each country outside of the United States will report to the International Board. To the extent required by local law, local partnership entities may have a board or directors or other similar governing body in addition to the International Board, but no such local board or governing body shall have the authority to take any action for which approval of the International Board or P&G is required prior to such approval being obtained.

Transfer

Transfer Restrictions. The interests of the parties in the local partnership and license agreements described above will be subject to the same restrictions on transfer as set forth in the JV Agreement.

Tag-Along and Drag-Along. Internationally, the P&G affiliate will have the same tag-along rights in each country on equivalent terms as it has with respect to the Joint Venture in the United States. The Clorox affiliate will also have equivalent drag-along rights in each country, including with respect to any sale of the Glad business in the relevant country that is not part of the sale of the entire Glad business.

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EXHIBIT H
Joint Venture Accounting Principles

General Approach

1. Create an accounting framework that to the extent possible is simple, sustainable and accurate.
2. Start with Clorox's GAAP financial statements for each of Clorox and the relevant subsidiaries as a basis for preparing the pro-forma financial statements for the Glad Global Business in each country.
3. Consistent application of Clorox and Glad Global Business accounting policies, principles, and processes.
 - a. Accounting Principles. The accounting principles of Clorox and the Glad Global Business will be the same in many respects, but to the extent they differ these Joint Venture Accounting Principles will govern. Any changes to the accounting principles of the Glad Global Business will be subject to P&G's consent rights pursuant to Sections 5.3(a) and 9.1(f) of this Agreement, and any other provisions of this Agreement (or this Exhibit) requiring the consent of P&G. The initial accounting principles of the Glad Global Business will be the same as those of Clorox and its subsidiaries, except with respect to Clorox corporate overhead allocations and as provided in this Exhibit H.
 - b. Accounting Policies. The accounting policies for the Glad Global Business can be changed as required by GAAP, the rules and regulations of the Securities and Exchange Commission or statements of the Financial Standards Accounting Board. The accounting policies can also be changed in connection with changes to Clorox's overall accounting policies, but in all cases subject to P&G's consent rights pursuant to Sections 5.3(a) and 9.1(f) of this Agreement and any other provisions of this Agreement (or this Exhibit) requiring the consent of P&G.

Direct Costs and Allocated Costs

4. The PWC report, the source documents referenced in the PWC report and the other materials underlying the PWC Report provide the basis for how indirect costs were allocated and direct costs were identified as of June 30, 2002. These allocations and identifications will be used during the Term, and changes to those allocations and identifications may only be made consistent with this Exhibit and with Exhibit F (Clorox Services).
5. To the extent any costs that are attributable to the Glad Global Business on an allocated basis under Exhibit F are subsequently identified as direct costs attributable to the Glad Global Business, if they can be charged 100% to the Glad Global Business, Clorox will cause them to be directly charged to the Glad Global Business to the extent reasonably practicable.
6. To the extent costs attributable to the Glad Global Business cannot be directly identified for the Glad Global Business they will be allocated on mutually agreed upon basis and in accordance with this Exhibit and with Exhibit F, where applicable.

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7. The Glad Global Business will continuously work to improve the accuracy of any allocated costs attributed to the Glad Global Business on an on-going basis.
8. Capital spending on direct property, plant and equipment (e.g. used 100% by the Glad Global Business) will be direct costs of the Glad Global Business. Capital spending on shared manufacturing, distribution and product development assets used in the Glad Global Business will be shared pro rata based upon an allocation process to be mutually agreed to by Clorox and P&G. If the Parties can not agree on such process the matter will be subject to Escalation and, if not resolved by Escalation, by arbitration as to the appropriate pro rata allocation.

Reviews and Audits

9. All allocations in all geographies for all allocated costs (i.e. those costs that cannot be solely attributed to the Glad Global Business) will be reviewed and documented annually to facilitate consistency and disclosure.
10. Clorox's internal audit function will review the Glad Global Business' financials and processes in a manner and frequency consistent with Clorox internal audit procedures. For the United States Glad Business and for each country where there is a Glad Global Business with annual revenues in excess of the greater of (x) U.S. \$[* * *] or (y) [* * *]% of the Glad Global Business's aggregate annual revenue (initially, Canada and Australia), these audits will be performed at least once every 24 months, and these reports will be shared with the Board.

Cash Funding Preferences

11. The Glad Global Business may fund its own global cash requirements internally (which may require loans between Glad businesses in different countries) before seeking a Parent Loan, and the Parties expect that it will generally seek to fund such amounts internally rather than seeking a Parent Loan.

Balance Sheet Preparation

12. For each country, assets and liabilities directly attributable to the Glad Global Business will be included on the pro-forma balance sheet of the Glad Global Business.
 - a. Shared Assets and Liabilities other than Fixed Assets. Where assets and liabilities other than Fixed Assets are not solely attributable to the Glad Global Business but are shared with other Clorox businesses in the country, they will be allocated on a fair share basis to the Glad Global Business.
 - b. Shared Fixed Assets. Any fixed asset shared with a Clorox business other than the Glad Global Business will not be allocated to the Glad Global Business unless otherwise mutually agreed. It is the intention of the Parties that any significant capital investments shared with a business other than the Glad Global Business will be shared on a pro rata basis based upon an allocation process to be mutually agreed to by Clorox and P&G. If the Parties can not agree on such process the matter will be subject to Escalation and, if not resolved by Escalation, as to the appropriate pro rata allocation.

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- c. Allocation Methodology Changes. Any change in allocation methodology must be approved by the P&G Board member.
13. To the extent possible and practical all assets and liabilities held by Clorox corporate but attributable 100% to the Glad Global Business will be pushed down to the pro-forma balance sheet. To the extent this is not possible, an appropriate disclosure will be provided.
 14. To the extent either Clorox or P&G adopts the accounting position of expensing its stock options, it will be able to attribute the option expense with respect to the personnel engaged in the Glad business to the Glad Global Business to the extent such expense is a direct cost.

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EXHIBIT I
SUBLICENSE AGREEMENT

This Sublicense Agreement (this "Agreement"), dated as of January 31, 2003 (the "Effective Date"), by and between The Glad Products Company, a Delaware corporation ("Licensor"), and _____, a _____¹ ("Licensee") (each, a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, Licensor, Procter & Gamble RHD Inc., an Ohio corporation ("P&G Sub"), and certain Affiliates of Licensor and P&G Sub, respectively, have entered into an Amended and Restated Joint Venture Agreement with respect to the Glad Global Business, dated as of January 31, 2003 (as such agreement may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "JV Agreement");

WHEREAS, Licensor and P&G Sub have entered into a License Agreement, dated as of January 31, 2003 (as such agreement may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "P&G License Agreement") providing, among other things, for the license by P&G Sub to Licensor of certain Intellectual Property (as defined below) for use in the Glad Global Business, subject to the terms and conditions thereof;

WHEREAS, Licensor and Licensee have agreed to enter into this Agreement providing, subject to the terms and conditions contained herein, for the sublicense by Licensor to Licensee of certain Intellectual Property licensed to Licensor by P&G Sub under the P&G License Agreement, subject to the terms and conditions hereof and thereof;

WHEREAS, Licensor and Licensee have entered into a Technology and Trademark License Agreement, dated as of January 31, 2003 (as such agreement may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "Glad License Agreement") providing, among other things, for the license by Licensor to Licensee of certain Intellectual Property (as defined below) for use in the Glad Global Business, subject to the terms and conditions thereof; and

WHEREAS, capitalized terms used but not defined herein shall, as the context requires, have the meaning set forth in either the JV Agreement or the P&G License Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

¹ License Agreements will be entered into with the Clorox affiliates operating the Glad business in each of Australia, Canada, New Zealand, South Africa, Costa Rica, China, Hong Kong, Philippines and Korea.

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Article 1. Definitions.

Section 1.1 Definitions

“Action” shall have the meaning set forth in the P&G License Agreement.

“Additional P&G Improvements” shall have the meaning set forth in the P&G License Agreement.

“Additional P&G Technology” shall have the meaning set forth in the P&G License Agreement.

“Affiliate Loans” shall mean funds provided by Clorox or its Affiliates as loans attributed to the Glad Local Business pursuant to Section 9.3 hereof.

“Available Local Cash Flow” shall mean, with respect to any Fiscal Quarter or other period, without regard to any Royalty payable hereunder, the sum of all cash receipts during such Fiscal Quarter or other period attributed to the Glad Local Business from any and all sources other than the cash proceeds of any Indebtedness, plus all Reserves of the Glad Local Business as of the close of business on the last day of the preceding Fiscal Quarter or other period, plus interest on such Reserves at Clorox’s 30-day commercial paper borrowing rate (or, if Clorox is unable to obtain commercial paper, Clorox’s short term cost of borrowing), plus the sum of all royalty payments made by Licensee under the Glad License Agreement during such period, minus all proceeds attributed to the Glad Local Business from any International Acquisition, minus all cash disbursements attributed to the Glad Local Business for any and all purposes during such Fiscal Quarter or other period ((x) including loan repayments (other than Affiliate Loans), interest payments (other than in respect of Affiliate Loans), capital improvements and replacements but (y) excluding disbursements funded by the cash proceeds of any Indebtedness attributed to the Glad Local Business (other than Affiliate Loans) and (z) excluding any cash dividends to Clorox or its Affiliates and any Royalties paid under this Agreement) and a reasonable allowance as of the last day of such Fiscal Quarter or other period for Reserves, contingencies and anticipated obligations as determined by the Licensee, determined in accordance with the JV Accounting Principles.

“Call Right” shall have the meaning set forth in the JV Agreement.

“Clorox” shall mean The Clorox Company, a Delaware corporation.

“Collaborative Improvements” shall have the meaning set forth in the P&G License Agreement.

“Collaborative Inventions” shall have the meaning set forth in the P&G License Agreement.

“Collaborative Inventions Prosecuting Party” shall have the meaning set forth in the P&G License Agreement.

“Core P&G Improvements” shall have the meaning set forth in the P&G License Agreement.

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“Core P&G Technology” shall have the meaning set forth in the P&G License Agreement.

“Distributable Local Cash Flow” shall mean, with respect to any Fiscal Quarter or other period, Available Local Cash Flow for such Fiscal Quarter or other period [***] the amount of Available Local Cash Flow required to be applied to the repayment of Affiliate Loans and accrued interest thereon in accordance with the immediately succeeding sentence. To the extent there are any outstanding Affiliate Loans with respect to the Glad Local Business and there is Available Local Cash Flow in any Fiscal Quarter, then all Available Local Cash Flow will be immediately applied towards such outstanding Affiliate Loans and accrued and unpaid interest thereon until all Affiliate Loans and accrued interest thereon will have been repaid in full. As long as any Affiliate Loans remain outstanding, Distributable Local Cash Flow will be [***].

“Exclusive Field” shall have the meaning set forth in the P&G License Agreement.

“Existing International Balance Sheet” shall have the meaning set forth in the JV Agreement.

“Fair Market Value” shall have the meaning set forth in the JV Agreement.

“Field” shall have the meaning set forth in the P&G License Agreement.

“Fiscal Quarter” shall mean each three (3) calendar month period ending on March 31, June 30, September 30 and December 31 or, in the case of the first Fiscal Quarter hereunder, the period from the date hereof through March 31, 2003.

“GAAP” shall mean generally accepted accounting principles as in effect in the United States (or such other jurisdiction as may be specified herein) consistently applied.

“Glad Local Business” shall mean the Glad Global Business conducted by the Licensee in the Territory.

“Glad R&D Team” shall have the meaning set forth in the P&G License Agreement.

“Governmental Authority” shall mean any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Improvements” shall have the meaning set forth in the P&G License Agreement.

“Indebtedness” shall mean all obligations for borrowed money, including guarantees, and all reimbursement obligations in respect of outstanding letters of credit (measured assuming such letters of credit are drawn in full).

“Infringe” shall have the meaning set forth in the P&G License Agreement.

“Intellectual Property” shall have the meaning set forth in the P&G License Agreement.

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“International Acquisition” shall mean the sale, disposition or other transfer to a Third Party of all or substantially all of the equity interests of Licensee or of all or substantially all the business, assets and properties of Licensee used in the Glad Local Business, but excluding (i) any transaction in connection with which the Put Right or the Call Right is exercised, (ii) any Third-Party Sale in connection with which Clorox exercises its right to cause a sale and (iii) any transaction in connection with which the Tag-Along Right is exercised.

“IP Acquisition” shall have the meaning set forth in the JV Agreement.

“JV Accounting Principles” shall have the meaning set forth in the JV Agreement.

“Know How” shall have the meaning set forth in the P&G License Agreement.

“Liabilities” means, as to any Person, all debts, liabilities and obligations, direct, indirect, absolute or contingent of such Person, whether accrued, vested or otherwise, whether known or unknown and whether or not actually reflected, or required by GAAP to be reflected, in such Person’s balance sheet.

“Non-Exclusive Field” shall have the meaning set forth in the P&G License Agreement.

“P&G Competitive Business Line” shall have the meaning set forth in the P&G License Agreement.

“P&G Technology” shall mean the Core P&G Technology and the Additional P&G Technology.

“Patents” shall have the meaning set forth in the P&G License Agreement.

“Person” shall mean any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture or other form of business or legal entity or Governmental Authority.

“Prime Rate” shall mean the rate of interest per annum publicly announced from time to time by Citibank, N.A. as its prime rate in effect at its principal office in New York, New York; each change in the Prime Rate will be effective from and including the date such change is publicly announced as being effective.

“Prosecuting Party” shall have the meaning set forth in the P&G License Agreement.

“Put Right” shall have the meaning set forth in the JV Agreement.

“Related Agreements” shall have the meaning set forth in the JV Agreement.

“Reserves” shall mean cash funds set aside from gross cash revenues as reserves. Such “Reserves” will be maintained in amounts and upon such timing as is reasonably deemed necessary by the Licensee to finance any working capital requirements and/or to pay taxes, insurance, debt service, repairs, replacements, renewals, capital expenditures or other costs or expenses to be attributed to the Glad Local Business in accordance with the JV Accounting Principles in the four Fiscal Quarters following the date such Reserves are being established that will not be funded from Available Local Cash Flow based on the then-current financial forecasts of the Glad Local Business.

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“ Services Agreement ” shall have the meaning set forth in the P&G License Agreement.

“ Tag-Along Right ” shall have the meaning set forth in the JV Agreement.

“ Team Inventions ” shall have the meaning set forth in the P&G License Agreement.

“ Territory ” shall mean [the Commonwealth of Australia][Canada][New Zealand] [the Republic of South Africa][the Republic of Costa Rica] [the People’s Republic of China][Hong Kong][the Republic of the Philippines][the Republic of Korea].

“ Third Party ” shall have the meaning set forth in the JV Agreement.

“ Third-Party Sale ” shall have the meaning set forth in the JV Agreement.

“ Trademarks ” shall have the meaning set forth in the P&G License Agreement.

Section 1.2 Other Definitions .

The following terms are defined in the Sections indicated:

Term	Section
Effective Date	Preamble
Excluded Local Assets	9.2(b)
Glad License Agreement	Recitals
International Acquisition	7.2(a)
JV Agreement	Recitals
Licensee	Preamble
Licensor	Preamble
Negative Cash Flow	9.3(a)
P&G License Agreement	Recitals
P&G Sub	Recitals
Party	Preamble
Retained Local Liabilities	9.2(c)
Royalty	9.1(a)
Termination Fee	7.2(a)

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Article 2. Core P&G Technology .

Section 2.1 Licensee's License in the Field. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee a right and license to use the Core P&G Technology (including any and all Core P&G Improvements deemed to be Core P&G Technology pursuant to the provisions of Section 2.3(b) of the P&G License Agreement) in the Field throughout the Territory, including without limitation the right and license, in the Field throughout the Territory, to (i) practice and use the Patents and Know How included in the Core P&G Technology, (ii) market, make, have made, sell and distribute products by or on behalf of Licensee in connection with the Glad Local Business, (iii) make Core P&G Improvements and (iv) sublicense such rights to the Core P&G Technology. The licenses granted in the Territory pursuant to this Section 2.1 are exclusive in the Exclusive Field and non-exclusive in the Non-Exclusive Field. In no event shall the license granted to Licensee pursuant to this Section 2.1 be interpreted as being broader in any respect than the license granted to Licensor pursuant to Section 2.1 of the P&G License Agreement.

Section 2.2 Core P&G Improvements .

(a) Ownership. The Parties acknowledge and agree that, as between P&G (or its Subsidiaries) and Licensee (on behalf of itself and its Affiliates), P&G (or its Subsidiaries) is and shall be the sole and exclusive owner of all right, title and interest, including any and all Intellectual Property rights, in and to any and all Core P&G Improvements, whether developed by or on behalf of P&G (or its Subsidiaries), Licensor or Licensee (on behalf of itself and its Affiliates).

(b) Licensee's Non-Exclusive License to Certain Core P&G Improvements Outside the Field. In the event that, during the Term of the Services Agreement the [* * *] (or, after the termination or expiration of the Services Agreement [* * *]) participates in the development of any Core P&G Improvements, then, to the extent such Core P&G Improvements are [* * *] Collaborative Improvements pursuant to the P&G License Agreement, Licensor hereby grants to Licensee a non-exclusive right and license to use such Core P&G Improvements throughout the Territory in connection with [* * *] that is [* * *], including without limitation the right and license, solely for the foregoing purposes, to (i) practice and use the Patents and Know How included in such Core P&G Improvements, (ii) market, make, have made, sell and distribute products by or on behalf of Licensee, Clorox or its Subsidiaries, (iii) make Improvements based upon or derived from such Core P&G Improvements and (iv) sublicense such rights solely to manufacturers of products of Licensee, Clorox or its Subsidiaries and to Clorox and Subsidiaries of Clorox. In no event shall the license granted to Licensee pursuant to this Section 2.2(b) be interpreted as being broader in any respect than the license granted to Licensor pursuant to Section 2.3(c) of the P&G License Agreement.

(c) Clarification of Licensee's Rights. For the avoidance of doubt, (i) any and all Core P&G Improvements developed by P&G or its Subsidiaries without the participation of the [* * *] or [* * *] ([* * *]) and (ii) any and all Core P&G Improvements that constitute [* * *] shall not be subject to the licenses set forth in Section 2.2(b), but shall be subject to the licenses set forth in Section 2.1. The license granted pursuant to Section 2.2(b) shall only apply to that portion of the Core P&G Improvements that is incremental to the Core P&G Technology. Except for the Core P&G Improvements that do not [* * *] Collaborative Improvements, Licensee (on behalf of itself and its Affiliates) shall not have the right to use any Core P&G Technology outside of the Field, irrespective of whether any Core P&G Improvements licensed pursuant to Section 2.2(b) are based upon or derived from such Core P&G Technology.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

(d) Notice of Improvements. In the event Licensee (on behalf of itself or its Affiliates) develops any Core P&G Improvements, Licensee shall promptly provide Licensor with written notice thereof.

Article 3. Additional P&G Technology.

Section 3.1 Licensee's License in the Field. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee a right and license to use the Additional P&G Technology (including any and all P&G Improvements deemed to be Additional P&G Technology pursuant to the provisions of the P&G License Agreement), and all Intellectual Property rights therein, in the Field throughout the Territory, including without limitation the right and license, in the Field throughout the Territory, to (i) practice the Patents and Know How included in the Additional P&G Technology, (ii) market, make, have made, sell and distribute products by or on behalf of Licensee in connection with the Glad Local Business, (iii) make Additional P&G Improvements and (iv) sublicense such rights to the Additional P&G Technology. The licenses granted in the Territory pursuant to this Section 3.1 are exclusive in the Exclusive Field and non-exclusive in the Non-Exclusive Field. In no event shall the license granted to Licensee pursuant to this Section 3.1 be interpreted as being broader in any respect than the license granted to Licensor pursuant to Section 3.1 of the P&G License Agreement.

Section 3.2 Additional P&G Improvements.

(a) Ownership. The Parties acknowledge and agree that, as between P&G (or its Subsidiaries) and Licensee (on behalf of itself and its Affiliates), P&G (or its Subsidiaries) is and shall be the sole and exclusive owner of all right, title and interest, including all Intellectual Property rights, in and to any and all Additional P&G Improvements, whether developed by or on behalf of P&G (or its Subsidiaries), Licensor or Licensee (on behalf of itself and its Affiliates).

(b) Licensee's Non-Exclusive License Outside the Field. In the event that, during the Term of the Services Agreement the [* * *] (or, after the termination or expiration of the Services Agreement [* * *]) participates in the development of any Additional P&G Improvements, then, to the extent such Additional P&G Improvements are [* * *] Collaborative Improvements pursuant to the P&G License Agreement, Licensor hereby grants to Licensee a non-exclusive right and license to use such Additional P&G Improvements throughout the Territory in connection [* * *] that is [* * *], including without limitation the right and license, solely for the foregoing purposes, to (i) practice and use the Patents and Know How included in such Additional P&G Improvements, (ii) market, make, have made, sell and distribute products by or on behalf of Licensee, Clorox or its Subsidiaries, (iii) make Improvements based upon or derived from such Additional P&G Improvements and (iv) sublicense such rights solely to manufacturers of products of Licensee, Clorox or its Subsidiaries and to Clorox and Subsidiaries of Clorox. In no event shall the license granted to Licensee pursuant to this Section 3.1(b) be interpreted as being broader in any respect than the license granted to Licensor pursuant to Section 3.1(c) of the P&G License Agreement.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

(c) Clarification of Licensee's Rights. For the avoidance of doubt, (i) any and all Additional P&G Improvements developed by P&G or its Subsidiaries without the participation of the [* * *] or [* * *] and (ii) any and all Additional P&G Improvements that constitute [* * *] shall not be subject to the licenses set forth in Section 3.2(b), but shall be subject to the licenses set forth in Section 3.1. The license granted pursuant to Section 3.2(b) shall only apply to that portion of the Additional P&G Improvements that is incremental to the Additional P&G Technology. Except for the Additional P&G Improvements that do not [* * *] Collaborative Improvements, Licensee (on behalf of itself and its Affiliates) shall not have the right to use any Additional P&G Technology outside of the Field, irrespective of whether any Additional P&G Improvements licensed pursuant to Section 3.2(b) are based upon or derived from such Additional P&G Technology.

(d) Notice of Improvements. In the event Licensee (on behalf of itself or its Affiliates) develops any Additional P&G Improvements, Licensee shall promptly provide Licensor with written notice thereof.

Section 3.3 Effect of Expiration or Termination of the JV Agreement on Section 3.1 and Section 3.2. In the event of any expiration or termination of the Term under the JV Agreement, the licenses granted to Licensee in Section 3.1 and, if applicable, Section 3.2 shall automatically terminate to the extent the license to Licensor terminates under the P&G License Agreement. This Section 3.3 shall have no effect on any Additional P&G Improvements developed by or on behalf of Licensor or Licensee after the termination or expiration of the Term of the JV Agreement, which shall continue to remain subject to the licenses granted to Licensee in Section 3.1 and Section 3.2.

Article 4. Trademarks and Other Intellectual Property.

Section 4.1 License Grant. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee an exclusive (as set forth in Section 4.2) right and license to use the Trademarks in the Field throughout the Territory, including without limitation, the right and license to sublicense such rights in the Field throughout the Territory. In no event shall the license granted to Licensee pursuant to this Section 4.1 be interpreted as being broader in any respect than the license granted to Licensor pursuant to Section 6.1 of the P&G License Agreement.

Section 4.2 Exclusivity. The licenses granted to Licensee pursuant to Section 4.1 are exclusive with respect to use of the Trademarks in the Field in the Territory.

Section 4.3 Trademark Use. Licensee agrees to maintain and preserve the quality of the Trademarks and to use the Trademarks in good faith and in a dignified manner, consistent with P&G Sub's and Licensor's high standards of and reputation for quality, and in accordance with good trademark practice wherever the Trademarks are used. Both Parties agree to use the Trademarks only in connection with goods and services that possess a character and quality consistent with the reputation and high standards associated with Licensor, P&G Sub and/or the Trademarks. Licensees agree that any and all goodwill arising from Licensee's use of the Trademarks shall inure solely to the benefit of P&G Sub, as licensor to Licensor under the P&G License Agreement. Upon the request of Licensor, Licensee shall, to the extent reasonable, provide Licensor with a representative sample of Licensee's use of the Trademarks.

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Section 4.4 Glad Base IP and Glad Improvements. The Parties acknowledge and agree that, as between Licensor and Licensee, Licensor shall be the sole and exclusive owner of all right, title and interest, including all Intellectual Property rights, in and to any and all Glad Base IP and any and all Glad Improvements. Licensee hereby acknowledges and agrees that it is bound by, and its rights hereunder are in all respects subject to, the license grants of Licensor contained in Article 4 of the P&G License Agreement.

Section 4.5 New Inventions. The Parties acknowledge and agree that, as between Licensor and Licensee, Licensor shall be the sole and exclusive owner of all right, title and interest, including all Intellectual Property rights, in and to any and all New Inventions. Licensee hereby acknowledges and agrees that it is bound by, and its rights hereunder are in all respects subject to, the license grants of Licensor contained in Article 5 of the P&G License Agreement. Licensee shall not, and shall not authorize third parties to, (a) use any Team Inventions outside of the Field in the Territory in connection with a [* * *] that is a [* * *] or (b) use the Collaborative Inventions in the Territory outside of the Field or to manufacture a product inside the Field for use, sale or distribution outside of the Field or provide any information or assistance to any third party related thereto.

Article 5. Other Agreements.

Section 5.1 Transfers and Encumbrances of Intellectual Property. Nothing in this Agreement shall prevent Licensor from transferring any Intellectual Property rights that are, in whole or in part, subject to a license or obligation under this Agreement. Nothing in this Agreement shall prevent Licensor from encumbering any Intellectual Property rights that are, in whole or in part, subject to a license or obligation under this Agreement.

Section 5.2 Intellectual Property Protection. Licensee agrees to notify Licensor immediately after it becomes aware of any actual or threatened infringement of the P&G Technology or the Trademarks or any Collaborative Inventions. Licensee agrees to cooperate fully with the Prosecuting Party or the Collaborative Invention Prosecuting Party, as the case may be, during the course of any such Action and to fulfill all reasonable requests for assistance by the Prosecuting Party or the Collaborative Invention Prosecuting Party, including without limitation agreeing to be joined as a party to such Action.

Section 5.3 Information with Respect to Glad Local Business. During the term of this Agreement, Licensee will provide Licensor with copies of [* * *] of its [* * *] and [* * *] for its [* * *] prior to finalizing such [* * *], and [* * *] to the then-current versions [* * *], and [* * *] with respect to such [* * *]. Licensee will also provide Licensor with additional reports and other information about the Glad Local Business as is provided to the members of its board of directors or other equivalent governing body on a scheduled, periodic basis, as well as any additional information upon the reasonable request of Licensor.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Section 5.4 Consent Rights. Licensee agrees that during the term of this Agreement, without the prior consent of Licensor, it will not, and will cause its Subsidiaries not to, take any of the following actions:

(a) the incurrence or assumption of any Indebtedness to be attributed to the Glad Local Business pursuant to Section 9.2 (other than Affiliate Loans pursuant to Section 9.3) that would result in the aggregate outstanding Indebtedness attributed to the Glad Local Business at the time such Indebtedness is incurred or assumed (other than Affiliate Loans) to be in excess [* * *] percent ([* * *]%) of Available Local Cash Flow for the prior four Fiscal Quarters;

(b) any purchase or other acquisition of any business, division or Person that will be attributed to the Glad Local Business pursuant to Section 9.2;

(c) any sale, transfer or other disposition in any single transaction or series of related transactions of any business, division or Person attributed to the Glad Local Business pursuant to Section 9.2,

(d) any sale, transfer or other disposition in any single transaction or series of related transactions, other than in the ordinary course of the conduct of the Glad Local Business of any assets attributed to it, which assets (x) are not obsolete, (y) are utilized in a material manner in the Glad Local Business at the time of such sale, and (z) are not being replaced with assets of comparable utility or value to the Glad Local Business, provided that in each case such business, division, Person or assets have a value in [* * *] of [* * *] ([* * *]%) of Available Local Cash Flow for the prior four Fiscal Quarters;

(e) except as provided in the JV Agreement or the Related Agreements, any transaction with respect to the Glad Local Business between Licensee or any of its Subsidiaries, on the one hand, and Clorox or any Affiliate of Clorox, on the other hand, unless (x) (A) such transaction is [* * *] or is less than \$[* * *] and (B) the terms of such transaction to be attributed to the Glad Local Business are no less favorable than those that would be obtained in a comparable arm's length transaction with a third party that is not Clorox or an Affiliate of Clorox or (y) such transaction is provided for pursuant to the JV Accounting Principles;

(f) any internal restructuring of the method by which the legal ownership of the Glad Local Business is held by Licensee and its Subsidiaries that, based on the facts and circumstances known at the time such restructuring is approved, has or will have a material adverse effect on the business, properties, financial condition, results of operations or prospects of the Glad Local Business;

(g) any changes in the accounting policies of the Licensee so as to differ from the JV Accounting Principles, except as required by Governmental Authorities; and

(h) the Glad Local Business [* * *].

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Article 6. Other Intellectual Property Matters.

Section 6.1 Notices and Legends. Licensee shall apply or use all notices and legends, including patent markings, required by applicable law or regulations to preserve and protect the value and validity of any Intellectual Property licensed pursuant to this Agreement, including applying or using any notices or legends reasonably requested by Licensor.

Section 6.2 No Contest. Licensee agrees not to directly or indirectly question, attack, contest or in any other manner impugn any Intellectual Property licensed to it pursuant to the terms of this Agreement, or the enforceability of this Agreement, including without limitation, in any Action in which enforcement of a provision of this Agreement is sought; nor shall Licensee willingly become a party adverse to Licensor or P&G Sub in an Action in which a third party contests the same.

Section 6.3 Assignment and Further Assurances. Notwithstanding any other provision of this Agreement, in the event that Licensee is held to, or becomes the owner of any Intellectual Property that is intended to be owned by Licensor or P&G Sub pursuant to the terms of this Agreement or the P&G License Agreement, Licensee hereby assigns permanently the entirety of such rights to Licensor or P&G Sub, as the case may be, and shall, during the term of this Agreement and after any expiration or termination hereof, execute such documents as Licensor and P&G Sub reasonably may request from time to time to ensure that all such Intellectual Property rights reside in the proper party.

Section 6.4 Reservation of Rights. All Intellectual Property rights not expressly granted pursuant to this Agreement are reserved to the owner of such Intellectual Property.

Article 7. Term and Termination.

Section 7.1 Termination by Licensor. The initial term of this Agreement shall be five (5) years, which term shall be renewable for successive five (5) year periods thereafter at the option of the Licensor upon written notice. The term of this Agreement may be terminated by Licensor at any time upon [* * *] notice to Licensee. The term of this Agreement may be terminated by Licensee only as provided in Section 7.2(a) hereof. No further Royalty shall accrue hereunder after the termination (or deemed termination pursuant to Section 7.2) of this Agreement.

Section 7.2 International Acquisition Transaction.

(a) In the event of an International Acquisition in which there is no IP Acquisition, Licensee will be deemed to have terminated this Agreement. Upon such deemed termination, Licensee will be required to pay Licensor a termination fee (the "Termination Fee") in an amount equal to [* * *] ([* * *]%) of the Fair Market Value of the Glad Local Business.

(b) In the event of an International Acquisition in which there is an IP Acquisition, Licensor will be deemed to have terminated this Agreement and no Termination Fee shall be due or payable.

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Article 8. Representations and Warranties.

Section 8.1 Of Both Parties. Licensor and Licensee each represents and warrants to the other Party that, as of the Effective Date:

(a) The warranting Party is duly organized and validly existing under the laws of the jurisdiction of its organization, and has full power, authority and legal right to execute, deliver and perform this Agreement, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement;

(b) This Agreement has been duly executed and delivered by the warranting Party. This Agreement is a legal, valid and binding obligation of the warranting Party, enforceable against such Party in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to the effect of general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity); and

(c) The warranting Party is not subject to any judgment, order, injunction, decree or award of any court, administrative agency or governmental body that would or might interfere with its performance of any of its material obligations hereunder.

Section 8.2 No Other Representations or Warranties. Neither Party makes any representations or warranties other than as expressly set forth in this Article.

Article 9. Royalties and Cash Flow.

Section 9.1 Royalties.

(a) As consideration for the rights granted in Articles 2, 3 and 4, Licensee shall pay Licensor a royalty (the "Royalty") on a quarterly basis in arrears as set forth below:

(i) With respect to the first four Fiscal Quarters of the Joint Venture, the Royalty shall be [* * *];

(ii) With respect to the fifth through eighth Fiscal Quarters of the Joint Venture, the Royalty shall be an amount [* * *] to [* * *] percent ([* * *]%) of Distributable Local Cash Flow;

(iii) With respect to the ninth and all succeeding Fiscal Quarters of the Joint Venture during the term of this Agreement, the Royalty shall be an amount [* * *] to [* * *] percent ([* * *]%) of Distributable Local Cash Flow.

(b) The Royalty with respect to any Fiscal Quarter will be paid by Licensee to Licensor within three (3) Business Days after delivery of the financial statements with respect to the Glad Local Business for such Fiscal Quarter pursuant to the JV Agreement in immediately available funds to the account designated by Licensor to Licensee in writing.

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Section 9.2 Determining Available Local Cash Flow. For the purposes of determining Available Local Cash Flow:

(a) From and after the date hereof, subject to the JV Accounting Principles, the following interests and Liabilities of Licensee and other relevant subsidiaries of Clorox will be attributed to the Glad Local Business for purposes of determining Available Local Cash Flow, except as provided in Section 9.2(b) below with respect to Excluded Local Assets and Section 9.2(c) below with respect to Retained Local Liabilities:

(i) the interest of Licensee and its Subsidiaries on the date hereof in all of the businesses, assets, rights and properties of Licensee to the extent and only to the extent utilized in or related to the Glad Local Business;

(ii) subject to the JV Accounting Principles, the interest of Licensee and its Subsidiaries in any business, asset, right or property acquired during the Term by Licensee or its Subsidiaries to the extent and only to the extent utilized in or related to the Glad Local Business;

(iii) all Liabilities of Licensee and its Subsidiaries to the extent and only to the extent [(A) reflected in the Existing International Balance Sheet with respect to the Glad Local Business, (B) incurred or assumed by the Glad Business in the ordinary course of business after the date of such Glad Balance Sheet and prior to the date hereof that would be reflected as current Liabilities on a balance sheet of the Glad Local Business as of the date hereof, but excluding any current Liabilities arising from third party litigation claims, (C)]² [(A) incurred or assumed by the Glad Local Business in the ordinary course of business prior to the date hereof that would be reflected as current Liabilities on a balance sheet of the Glad Local Business, but excluding any current Liabilities arising from third party litigation claims, (B)]³ arising out of the conduct of the Glad Local Business or the ownership or possession of any business, assets, rights or property used in the Glad Local Business after the date hereof or [(D)][(C)] assumed or incurred after the date hereof by the Licensee and other Subsidiaries of Clorox in accordance with the terms hereof with respect to the Glad Local Business, provided that Indebtedness will be attributed to the Glad Local Business only to the extent permitted to be incurred pursuant to the provisions of Section 5.4(a); and

(iv) net income and net losses and Available Local Cash Flow arising in respect of the foregoing and proceeds of any disposition thereof.

(b) The following interests of Licensee and its Subsidiaries will be excluded from the Glad Local Business and will not be attributed to the Glad Local Business (collectively, the “Excluded Local Assets”), and from and after the date hereof the Glad Local Business will not include any interest in any of the following for purposes of determining Available Local Cash Flow:

(i) all rights of Licensee under this Agreement;

² Use this version only for Australia, Canada and New Zealand.

³ Use this version only for South Africa, Costa Rica, China, Hong Kong, Philippines and Korea.

(ii) [all interests in any business, asset, right or property sold, transferred or otherwise disposed of prior to the date hereof in the ordinary course of the Glad Local Business and not in violation of the terms of the JV Agreement;]⁴

(iii) all cash and cash equivalents as of the date hereof other than petty cash with respect to the Glad Local Business;

(iv) all refunds or credits with respect to any Taxes paid or incurred by Licensee;

(v) all capital stock or other equity interests of Licensee, Clorox and any other Subsidiaries of Clorox; and

(vi) all rights of the Licensee and other Subsidiaries of Clorox arising out of or in connection with any Retained Liabilities, including without limitation any cause of action, right of recovery, right of set-off or counterclaim.

(c) From and after the date hereof, none of the following Liabilities will be attributed to the Glad Local Business (“Retained Local Liabilities”) for purposes of determining Available Local Cash Flow:

(i) any Liability (A) arising out of or relating to the conduct of the Glad Local Business or the ownership or possession of any business, assets, rights or property used in the Glad Local Business prior to the date hereof or (B) assumed or incurred prior to the date hereof by Licensee and/or other Subsidiaries of Clorox, except for any Liabilities described in [clause (A) or (B)]⁵ [clause (A)]⁶ of Section 9.2(a)(iii);

(ii) any Liability with respect to income Taxes of Licensee and other Subsidiaries of Clorox;

(iii) any Liability arising out of or relating to the Excluded Assets;

(iv) any Liability of the Licensee, Clorox and other Subsidiaries of Clorox to the Licensor arising out of or related to any breach of this Agreement or any Related Agreement by Licensee, Clorox and other Subsidiaries of Clorox, even if arising out of or related to conduct of the Glad Local Business or the ownership or possession of any business, asset, right or property used in the Glad Local Business after the date hereof; and

(v) any Liability for which Licensee and/or other Clorox Subsidiaries have otherwise agreed to be liable and not have attributed to the Glad Local Business pursuant to this Agreement or any Related Agreement.

⁴ Include only for Australia, Canada and New Zealand.

⁵ Use only for Australia, Canada and New Zealand.

⁶ Use only for South Africa, Costa Rica, China, Hong Kong, Philippines and Korea.

Section 9.3 Affiliate Loans.

(a) In the event that Available Cash Flow for any Fiscal Quarter as set forth in the quarterly financial statements of the Glad Business in the Territory for such Fiscal Quarter is a negative number (such number, the "Negative Cash Flow") then the amount of the Negative Cash Flow will be treated as an Affiliate Loan, which Affiliate Loan will be deemed to have been made as of the last day of the Fiscal Quarter to which the Negative Cash Flow relates.

(b) All Affiliate Loans will bear interest calculated on the outstanding principal amount thereof for each day from the date such Affiliate Loan is made until it is paid in full at Prime Rate plus [* * *] percent ([* * *]%) per annum payable on a quarterly basis, and payments with respect to any Affiliate Loans will be credited first to accrued interest. Each Affiliate Loan will have a maturity date of the date on which this Agreement is terminated.

Section 9.4 Foreign Currency Exchange.

In determining the amount of royalties and other amounts payable hereunder, such amounts shall first be determined in the national currency in which sold and then converted into its equivalent in United States Dollars at: (i) the rate of United States Dollars to the national currency of the Territory applicable to the transfer of funds arising from this type of transaction as established by the exchange control authorities of the Territory for the last business day of the calendar quarter for which payment is made; or (ii) if there is no applicable rate so established, at the selling rate for United States Dollars to the applicable national currency as published by leading commercial banks in the Territory, for the last business day of such calendar quarter; or (iii) if there is no rate so published, at the buying rate for the applicable national currency to United States Dollars as published by leading New York, New York banks for the last business day of such calendar quarter. Licensee shall bear responsibility for all expenses of currency conversion and transmission.

Article 10. Miscellaneous Provisions.

Section 10.1 Assignment. Licensor may assign, transfer or otherwise sublicense its rights under this Agreement, in whole or in part, to any other party without the prior written consent of the Licensee. Licensee may not assign, transfer or otherwise sublicense its rights under this Agreement, in whole or in part, to any other party without the prior written consent of Licensor. Any purported transfer, assignment or sublicense of this Agreement or the rights granted hereunder that is not expressly permitted by this Agreement shall be null and void *ab initio* and of no force or effect.

Section 10.2 Arbitration. Any dispute, claim or controversy arising out of or relating to this Agreement shall be subject to the dispute resolution proceedings set forth in Section 11.8 of the JV Agreement.

Section 10.3 Force Majeure. Should either Party be prevented from performing its obligations under this Agreement by an event of force majeure, such as an earthquake, typhoon, flood, fire, act of war, act of the public enemy, act of terrorism, act of God or any other unforeseen event the happening and consequences of which are unpreventable and unavoidable, the prevented Party shall notify the other Party by the most expedient means available (fax, telex or express mail being acceptable in any event) without any delay, and within fifteen (15) days thereafter provide detailed information of the events and, if applicable and available, a valid document for evidence issued by the relevant public notary organization explaining the reason for its inability to perform or delay in the performance of all or part of this Agreement. The Parties shall discuss in good faith, taking into account the effects of the force majeure and other unforeseen events on the performance of the obligations under this Agreement, whether to (a) exempt the prevented Party from performing part or all of its obligations under this Agreement or (b) delay the performance of the affected obligations under this Agreement. In the absence of any such agreement, no Party shall be excused from its performance hereunder once the event of force majeure has subsided.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Section 10.4 Further Assurances. The Parties agree to execute such further documentation and perform such further actions, including the recordation of such documentation with appropriate authorities, as may be reasonably requested by the other Party hereto to evidence, effectuate and further the purposes and intents set forth in this Agreement.

Section 10.5 Amendments and Waivers. This Agreement may be amended only by a written instrument executed by both Parties. Any amendment effected in accordance with the immediately preceding sentence will be binding on all of the Parties to this Agreement. No failure or delay by any Party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 10.6 Notices. Any notices or other communications required or permitted hereunder will be given in accordance with the provisions set forth in Section 11.3 of the JV Agreement.

Section 10.7 Integration. This Agreement, the JV Agreement, the other Related Agreements and the documents referred to herein or therein, or delivered pursuant hereto or thereto, contain the entire understanding of the Parties with respect to the subject matter hereof and thereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein. This Agreement supersedes all other prior agreements and understandings between the parties with respect to the subject matter hereof.

Section 10.8 Severability. If one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the remaining provisions, paragraphs, words, clauses, phrases or sentences hereof will not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto will be enforceable to the fullest extent permitted by law.

Section 10.9 Counterparts. This Agreement may be executed in two or more counterparts, and by different Parties on separate counterparts each of which will be deemed an original, but all of which will constitute one and the same instrument.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Section 10.10 Governing Law. This Agreement will be construed in accordance with, and the rights of the Parties will be governed by, the laws of the State of New York.

Section 10.11 Injunctive Relief. Each of the Parties acknowledges and agrees that pending the outcome of any arbitration proceeding pursuant to Section 11.8 of the JV Agreement, each of the Parties hereto will be entitled to an injunction, restraining order or other equitable relief to prevent breaches of the provisions of this Agreement, the JV Agreement or the other Related Agreements in any court of competent jurisdiction solely for the purpose of maintaining the status quo, in addition to any other remedy to which they may be entitled pursuant to the terms hereof.

Section 10.12 Third Party Beneficiaries. P&G Sub shall be a third party beneficiary of this Agreement and shall have the right to enforce the rights of Licensor hereunder solely to the extent that Licensee breaches this Agreement and Licensor fails to enforce such rights within thirty (30) days being requested by P&G to do so. Except as expressly provided in this Section 10.12, nothing in this Agreement, express or implied, is intended to confer upon any Person, other than the Parties hereto or their respective successors and permitted assigns, any rights, remedies, benefits, obligations or liabilities of any nature whatsoever under or by reason of this Agreement.

Section 10.13 No Agency. Nothing herein contained shall be construed to constitute either party hereto as partner or joint venturer or as agent or other representative of the other. Licensee is not granted any right, power or authority to assume or create any obligation, express or implied, on behalf of Licensor or in Licensor's name, or to make any purchase for Licensor's account, or to bind Licensor in any manner or thing whatsoever. Licensee shall have no right, power or authority to accept summons or legal process for Licensor. In their operations hereunder, Licensor and Licensee shall be independent contractors retaining complete control over and bearing sole liability for each of their own operations and employees.

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THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, effective as of the date first above written.

THE GLAD PRODUCTS COMPANY

By:

Name:

Title:

[NAME OF CLOROX AFFILIATE]

By:

Name:

Title:

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

TECHNOLOGY AND TRADEMARK LICENSE AGREEMENT

BETWEEN

THE GLAD PRODUCTS COMPANY, AS LICENSOR

AND

_____, AS LICENSEE

DATED: JANUARY 31, 2003

TECHNOLOGY AND TRADEMARK LICENSE AGREEMENT

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL "[* * *]" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

This Agreement is dated as of January 31, 2003 between:

(PARTIES)

Name, Address, <u>Telephone and Facsimile</u>	<u>Identified Herein As</u>
--	-----------------------------

The Glad Products Company 1221 Broadway Oakland, California 94612 United States of America	“Licensor”
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Attention: Corporate Secretary

Telephone: 510-271-7000
Facsimile: 510-271-1652

“Licensee”

Attention: Director

Telephone:
Facsimile:

Parties to Agreement

(RECITALS)

Clorox and Clorox’s affiliates, including Licensor, are engaged in the business of manufacturing (or causing to have manufactured), distributing and selling the premium quality consumer products set forth in Exhibit A (the “Products”).

Licensor is the owner of the common law rights and other rights in the Trademarks in the Territory and the owner of the Technology in the Territory.

Licensee desires to use the Technology to manufacture, produce and package the Products, and to distribute and sell the Products under the Trademarks in the Territory.

Subject to the terms and conditions contained herein, Licensor desires to grant Licensee the licenses set forth herein so that Licensee can manufacture, produce, package, distribute and sell the Products in the Territories bearing the Trademarks.

Licensor and Licensee are simultaneously in connection herewith entering into a Sublicense Agreement providing, subject to the terms and conditions contained therein, for the sublicense by Licensor to Licensee of certain Intellectual Property licensed to Licensor by P&G Sub under the P&G License Agreement.

Certain capitalized terms shall have the meaning set forth in Article 30 hereof.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

(EXHIBITS)

The following exhibits are attached to this Agreement and are incorporated herein and made a part hereof:

Exhibit	Content
A	Description of Products
B	Description of Territory
C	Description of Royalty
D	Superseded Agreement(s)

(AGREEMENT)

The parties hereto agree as follows:

ARTICLE I. GRANT

(a) Licensor grants to Licensee, subject to the provisions of this Agreement, a right and license to use the Trademarks in the Territory, in the manufacture, packaging, production, distribution, sale, offer for sale, advertisement, promotion or any other manner of use whatsoever on or in relation to the Products, which right shall be exclusive in the Territory, and Licensee herewith accepts such grant under such terms and conditions.

(b) Licensor grants to Licensee, subject to the provisions of this Agreement, a right and license to use the Technology in the Territory, in connection with the manufacture, packaging, production, distribution, sale, offer for sale, advertisement, promotion of or in relation to the Products, which right shall be exclusive in the Territory, and Licensee herewith accepts such grant under such terms and conditions.

(c) Notwithstanding the foregoing, the rights and licenses granted to Licensee pursuant to this Article 1 shall be non-exclusive with respect to any Intellectual Property to which Licensor has granted a license to P&G Sub pursuant to the P&G License Agreement.

ARTICLE 2. AMENDMENTS TO EXHIBIT A

(a) Licensor may, from time to time by written notices to Licensee, amend Exhibit A attached hereto by adding to, revising and/or updating, deleting from or limiting the Products covered by this Agreement to reflect changes, additions, or revisions in its Product line, the trademarks associated with such Products or its practices or policies with respect to the conduct of its business.

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ARTICLE 3. ROYALTIES

(a) In consideration of the rights granted under this Agreement, Licensee agrees to pay Licensor royalties as set forth on Exhibit C.

(b) Royalties shall be based on Licensee's billing price (set in accordance with Licensee's and Licensor's mutual agreement) on all Products sold by Licensee after the effective date of this Agreement, whether sold to a distributor appointed hereunder or to other customers of Licensee. Any Products given away free by Licensee shall for the purposes of this Article be treated as products sold at said billing price in effect at the date of shipment by Licensee. The Products sold by Licensee hereunder shall be considered as "sold" when invoiced whether or not the amount invoiced is collected from Licensee's distributor, or if not invoiced, when shipped or delivered. In the event that any of the Products on which a royalty has been paid hereunder by Licensee are returned and accepted for credit, Licensee shall be credited with the royalty already paid by Licensee on account of said Products against the amount of the royalties subsequently accruing hereunder.

(c) The royalties payable hereunder shall be paid quarterly within thirty (30) days following the end of each calendar quarter on an estimated basis, with an adjustment within ninety (90) days after the close of Licensee's fiscal year. Royalties shall be transferred in United States Dollars to Licensor at its address set forth above or as instructed by Licensor.

(d) In determining the amount of royalties and other amounts payable, the Net Sales of the Products shall first be determined in the national currency in which sold and then converted into its equivalent in United States Dollars at: (i) the rate of United States Dollars to the national currency of the Territory applicable to the transfer of funds arising from this type of transaction as established by the exchange control authorities of the Territory for the last business day of the calendar quarter for which payment is made; or (ii) if there is no applicable rate so established, at the selling rate for United States Dollars to the applicable national currency as published by leading commercial banks in the Territory, for the last business day of such calendar quarter; or (iii) if there is no rate so published, at the buying rate for the applicable national currency to United States Dollars as published by leading New York, New York banks for the last business day of such calendar quarter. Licensee shall bear responsibility for all expenses of currency conversion and transmission.

(e) Royalties due but not paid to Licensor, for any reason whatsoever, shall be segregated and not commingled with monies of Licensee and shall be handled in accordance with written instructions from Licensor.

(f) Licensee from time to time shall prepare all applications, reports and other documents which may be required by the government in the Territory in order that remittances may be made in accordance with this Agreement.

(g) Notwithstanding the above, no royalties shall be payable on any Products purchased by Licensee from Licensor or Licensor's affiliated companies and resold by Licensee, but this exception shall not apply if Licensee chooses to purchase components of Products from Licensor.

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(h) Licensee agrees to keep accurate books of account of its sales of the Products and to provide Licensor with quarterly royalty statements within ten (10) days following the end of each calendar quarter in such form as Licensor may prescribe setting forth, at a minimum, the following information for the preceding calendar quarter: (i) the Net Sales value and units of Licensee's sales of the Products, (ii) the amount of any royalty payment due Licensor, and (iii) all other information necessary to show the basis or bases on which such payment has been computed. In case no payment is due for any calendar quarter, Licensee shall so report to Licensor within ten (10) days following the end of such calendar quarter. Licensee agrees to permit its books and records to be examined at reasonable times during business hours to the extent necessary to verify the royalties to be paid hereunder, and to permit copies of or extracts from any books, accounts, receipts, papers or other documents in the possession or under the control of Licensee and relating in whole or in part to the Products manufactured and sold by Licensee, such examination and copying to be made by Licensor's agents at Licensor's expense. Licensee agrees to maintain said documents for a minimum period of three (3) years.

ARTICLE 4. QUALITY CONTROL

(a) Standards of Quality

Licensee shall use the Trademarks only on Products that meet Licensor's specifications and high standards of quality and workmanship for such Products.

Licensee undertakes to implement in full Licensor's established procedures for the inspection and quality control of finished Products covered by this Agreement.

Licensee shall generally ensure that all Products are free from any defects or other faults in design, workmanship, and materials and conform with any pre-production samples approved pursuant to Article 4(b) herein below, and no Products that fail to meet the quality standards of Licensor shall be introduced to the market.

All labels and labeling used for the Products shall have the prior written approval of Licensor. Licensee agrees to follow any instructions of Licensor with respect to the labels for the Products, and to maintain Licensor's high standards with respect to the quality of labels for the Products.

Licensor and Licensee agree that the Products manufactured by Licensee as of the date of this Agreement meet the quality standards required by Licensor pursuant to this Agreement.

(b) Product Samples

Representative samples of the Products (including their packaging) initially and thereafter at Licensor's request, shall be furnished by Licensee to Licensor at a place designated by Licensor in sufficient quantity so as to enable Licensor to determine the quality of such Products. Licensor shall run such tests on the Products as it may deem expedient, and shall advise Licensee in writing whether the quality standards maintained by Licensor are met.

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In the event any of the Products do not comply with the product standards maintained by Licensor, Licensee shall at Licensee's own expense undertake a diligent inquiry to determine the reason for such non-conforming Products, the extent of such non-conforming Products, and correct all such non-conforming Products, or, if this cannot be done, destroy such Products and bear the loss suffered in this connection. Licensee shall report to Licensor the cause of such problems, the extent of the non-conforming Products found, and Licensee's correction or destruction of such Products. Licensee shall implement immediately any instructions received from Licensor regarding changes or modifications in the products and/or their manufacture or packaging.

(c) Access to Premises

Licensor shall have the right to have Licensor's representatives visit Licensee's facilities from time to time to inspect the Products to insure that they comply with Licensor's specifications and standards of quality, and Licensee shall cooperate with such representative and comply with any directions issued by the representative.

ARTICLE 5. SALES EFFORTS

Licensee represents that it is fully able to quantitatively meet the demands of, and is able to supply, the national markets for the Products in the Territory. Licensee shall use its [* * *] at all times during the term of this Agreement to promote and expand the sales of the Products. The size of the sales organization, the competence of the staff and the quality of the sales efforts shall be satisfactory to Licensor and shall measure up in all respects to Licensor's standards of excellence. Licensee and Licensor shall, from time to time, mutually consult with one another concerning Licensee's sales efforts.

Within ten (10) days of the end of each calendar quarter, Licensee shall submit to Licensor, in such detail as Licensor may request, a statement with respect to the sales made by Licensee during the sales quarter. Each such statement shall be certified as correct by an officer of Licensee. During the term of this Agreement a marketing plan shall be mutually agreed upon for each year.

Licensee also agrees to:

- (a) Carry and maintain stocks of the Products that, in Licensor's opinion, are sufficient to satisfy market requirements.
- (b) Keep and maintain true and accurate records of all transactions involving the Products, including inventory, purchases and sales and promotional expenditures, which shall be available to Licensor for inspection.
- (c) Comply with all governmental laws, regulations and practices with respect to the conduct of Licensee's business.
- (d) Obey and comply with reasonable directions and instructions given by Licensor.

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- (e) Not make any representation or give any warranty relating to or in connection with the Products, except as specifically authorized by Licensor.
- (f) Maintain a customer complaint reporting system that will be made available to Licensor.
- (g) Set billing prices and any discounts for the Products at levels mutually agreed upon in advance by Licensee and Licensor.
- (h) Not appoint a distributor without Licensor's previous written authorization.

ARTICLE 6. PRODUCT REGISTRATIONS

Licensee shall make every reasonable effort to investigate and advise Licensor of all required permits or registrations of the Products with governmental authorities in the Territory; and, at Licensor's request, apply for, obtain and maintain, on Licensor's behalf, all such necessary product registrations and permits.

Upon termination of this Agreement for any reason, Licensee shall take such action, execute such assignments or consents and otherwise do such things as may be reasonably necessary to transfer all product registrations and permits to Licensor or its designee(s), and/or to otherwise permit or facilitate the manufacture or importation and sale of the Products in the Territory by Licensor or any party Licensor may designate.

ARTICLE 7. TECHNOLOGY AND TRADEMARKS

(a) Licensee recognizes and acknowledges that Licensor, or Licensor's affiliated companies, are the owners, assignees or licensees in the Territory of the Technology and the Trademarks, including all common law rights related to Licensee's use of the Trademarks, and the good will and reputation related to the Trademarks generated through such use, and various proprietary and ancillary rights related to the Trademarks and the Products including trade names, trade dress, package designs, emblems, designs, copyrights and any registrations thereof (hereinafter referred to as the "Properties") used on various Products and/or in related advertising literature. Licensee acknowledges the validity of the Technology, Trademarks and Properties and Licensor's, and/or Licensor's affiliated companies' title to and rights in the Technology, Trademarks and the Properties and recognizes the high value of such rights to the business and goodwill of Licensor. Licensee acknowledges that any goodwill created through the use of the Trademarks by Licensee belongs to Licensor exclusively.

(b) Licensee shall not dispute the validity of or title to the Technology, Trademarks or Properties or oppose any application by Licensor, or Licensor's affiliated companies, to register or protect the Technology, Trademarks or the Properties and shall not, directly or indirectly, take any action which might impair these proprietary rights or the business and goodwill of Licensor.

(c) Licensee will not, directly or indirectly, seek to register any imitation or translation of the Trademarks or the Properties.

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(d) Licensee shall not use any of the Technology, Trademarks or the Properties except as approved by Licensor. Licensee shall in no way modify, add to or omit any of the Trademarks or the Properties applied to the Products, advertising or promotional material pursuant to this Agreement, without the written consent of Licensor. Licensee shall not use in connection with the sale of or any commercial dealing with any of the Products any other trademark, or other matter which is confusingly or deceptively similar to any of the Trademarks or Properties.

(e) Licensee, without the written consent of Licensor, shall not use any of Licensee's own trade marks or trade names in marketing the Products. This provision shall not restrict Licensee in the normal use of Licensee's regular business name. Licensee shall not use the Trademarks or variations thereof in Licensee's registered trade or corporate name.

(f) Should Licensee become aware of any trade practices or actions or threatened actions by third parties that may injure the business which Licensee conducts pursuant to this Agreement or the business or goodwill of Licensor including infringement, misappropriation, impairment, dilution, violation and/or passing off ("Infringement") of the Technology, Trademarks or the Properties, full details of the same shall be promptly supplied to Licensor. Licensee shall in no event take any action to prevent or remedy such Infringement or trade practices without Licensor's written authorization. Licensor or any parties authorized by Licensor shall have the sole right to take or direct such action as Licensor may deem proper against such parties. Licensee shall join with Licensor in taking action against such parties if Licensor so requests.

(g) Licensor and/or Licensor's affiliated companies will police and protect the Technology and Trademarks in the Territory to the best of Licensor's ability and assume the costs of prosecuting infringers in those cases, which in the opinion of Licensor's legal counsel, merit legal action. Licensor shall renew and maintain the Technology and Trademarks according to the legal requirements of the Territory. Licensee shall assist Licensor in policing, protecting, renewing and maintaining the Technology and Trademarks by (i) providing samples of Products, (ii) providing evidence of use, (iii) providing Licensor with guidance and assistance as to the legal requirements of the Territory and (iv) executing documents and taking such other actions as may be required to renew and maintain or otherwise effect Licensor's ownership of the Technology and Trademarks.

(h) Upon expiration or termination of this Agreement for any reason, Licensee, at Licensee's own expense, shall forthwith remove all references to Licensor or any of the Trademarks or Properties or any work, design, marking, slogan or legend associated therewith from the business premises, plant, products, materials, supplies and equipment of Licensee, and from all business paper, stationery and advertising used or maintained by Licensee (including telephone and business listings), and Licensee shall not thereafter hold forth in any manner that Licensee has a connection with Licensor, the Trademarks, Properties or the Products. Licensee thereafter shall not use the Trademarks or any terms or devices similar to the Trademarks.

(i) Licensee shall apply or use all notices and legends, including patent markings, required by applicable law or regulations to preserve and protect the value and validity of the Technology and Trademarks licensed pursuant to this Agreement, including applying or using any notices or legends reasonably requested by Licensor.

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(j) In the event Licensee develops any improvements to the Technology, Licensee shall promptly provide Licensor with written notice thereof.

(k) Licensee agrees that Licensor is the sole and exclusive owner of the Technology and the Trademarks and that nothing in this Agreement or otherwise shall confer on Licensee any right, title or interest in or to the Technology or Trademarks other than as expressly set forth in this Agreement. In the event that Licensee is held to, or becomes the owner of any Technology, Trademarks or Properties that is intended to be owned by Licensor pursuant to the terms of this Agreement, Licensee hereby assigns permanently the entirety of such rights to Licensor and shall, during the term of this Agreement and after any expiration or termination hereof, execute such documents as Licensor reasonably may request from time to time to ensure that all such rights reside in Licensor.

(l) Nothing in this Agreement shall prevent Licensor from transferring or encumbering the Technology or Trademarks that are subject to a license or obligation under this Agreement.

ARTICLE 8. WARRANTIES AND DISCLAIMERS

Neither party warrants to the other that the Products that Licensee may manufacture or sell pursuant to this Agreement will not Infringe any Intellectual Property or trademark right possessed by any third parties.

ARTICLE 9. COMPETITION

In order to ensure Licensee's undivided attention and maximum efforts on behalf of the Products, Licensee agrees not to manufacture, market, sell or distribute products which would compete with the Products during the term of this Agreement.

ARTICLE 10. EFFECTIVENESS AND TERM OF AGREEMENT

This Agreement shall be effective as of the date first written above. The initial term of this Agreement shall be five (5) years, which term shall be renewable for successive five (5) year periods thereafter at the option of the Licensor upon written notice. The term of this Agreement may be terminated by Licensor at any time upon [* * *] notice to Licensee. The term of this Agreement may be terminated by Licensee only as provided in Article 11(a) hereof. No further Royalty shall accrue hereunder after the termination (or deemed termination pursuant to Article 11) of this Agreement.

ARTICLE 11. INTERNATIONAL ACQUISITION TRANSACTION

(e) In the event of an International Acquisition in which there is no IP Acquisition, Licensee will be deemed to have terminated this Agreement. Upon such deemed termination, Licensee will be required to pay Licensor a termination fee (the "Termination Fee") in an amount [* * *] to [* * *] percent ([* * *]%) of the Fair Market Value of the Glad Local Business

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(f) In the event of an International Acquisition in which there is an IP Acquisition, Licensor will be deemed to have terminated this Agreement and no Termination Fee shall be due or payable.

ARTICLE 12. OBLIGATIONS UPON TERMINATION

In the event of any expiration or termination of this Agreement:

(a) Licensee will return to Licensor, labels, packaging and advertising or other promotional materials relating to any of the Products. Licensor at Licensor's sole option shall have the right to take back at the lower of market price or incremental cost, any such labels, prints and literature, and Licensee shall be obliged to return to Licensor without charge all materials received without cost.

(b) Licensee shall have the obligation to complete the manufacture of all goods in process. Licensor or Licensor's designee, at Licensor's sole option, shall have the right to purchase all raw materials, packaging materials and finished goods still in stock after filling outstanding orders to the date of termination. The price payable to Licensee with respect to such materials and finished goods shall be the lower of market price or Licensee's incremental cost. Licensor in Licensor's sole discretion may allow Licensee to sell finished goods still in stock after the filling of outstanding orders, according to the distribution and pricing schedule that was in effect for the quarter prior to termination.

(c) Licensee agrees that from the date of expiration or termination of this Agreement, none of the Technology or Trademarks or any terms or devices similar thereto, or to the Properties shall be used by Licensee. Licensee shall as soon as it is practical, ensure that any reference to any Trademarks on its products, premises, vehicles or documents are removed. Upon termination or expiration of this Agreement Licensee shall immediately cease all use of the Technology and, at Licensor's option, promptly, return, delete or destroy all tangible embodiments of the Technology in Licensee's possession or control.

(d) All royalties, fees and other amounts payable by Licensee to Licensor through the date of such expiration or termination shall become immediately due.

ARTICLE 13. INDEMNITY

(a) Licensee agrees to indemnify and hold Licensor harmless from and against any loss, claim, liability, action, cause of action or damages (including all costs and attorneys' fees) for any injury or damages occurring to third parties, or their property, in connection with the Products manufactured or sold by Licensee and for such purpose to maintain insurance, if such is available within the Territory, for the benefit of Licensee and Licensor with such company or companies and containing such limits as are satisfactory to Licensor.

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(b) Licensee shall also indemnify and hold Licensor harmless from any liability, loss, damage or expense, including reasonable attorneys' fees and expenses, arising out of any claim or suit involving the manufacture, labeling, sale, distribution or advertisement of the Products by Licensee in violation of any law or regulation of the Territory or country of export.

(c) Licensor shall notify Licensee of any such claim or suit, and Licensee shall have the right to defend itself and, if Licensor consents, also defend Licensor through counsel of Licensee's choice provided such counsel is acceptable to Licensor. Licensor shall also be free to retain Licensor's own counsel, in which case Licensor's reasonable attorneys' fees and expenses shall be covered by the indemnity set forth in this Article 13.

ARTICLE 14. TAXES

Licensee agrees to procure at Licensee's sole cost any required registrations or governmental approval of this Agreement and to pay any and all stamp, registration and import taxes and all other taxes and duties which may be levied on Licensor and/or Licensee by governmental entities within the Territory. Any taxes, fees or other charges imposed by any government or any state in the Territory upon this Agreement or upon the payments to be made to Licensor shall be paid by Licensee, both at minimum rates and final computations, for and on behalf of Licensor and such costs may not be deducted by Licensee from royalties as they become due. Except, however, Licensee may withhold from amounts payable under this Agreement the nonresident income tax of Licensor, if required by law. Licensee shall furnish to Licensor all original tax receipts or other documentation necessary for Licensor to verify payment of any tax, fee, or charge and to receive a foreign tax credit or tax deduction. If such nonresident income taxes are withheld, Licensee will supply Licensor with official government receipts which indicate the amount of tax and date the tax was paid.

ARTICLE 15. FORCE MAJEURE

The failure by either party to perform any term of this Agreement when caused by or resulting from fire, floods, embargoes, government regulations, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts, job actions, Acts of God or any other cause beyond the control of such party, and which is a result thereof, shall not constitute a default or breach under any term of this Agreement unless the said party fails to resume normal operations within one hundred eighty (180) days, in which case the other party may declare a default.

ARTICLE 16. ASSIGNMENT AND SUBLICENSES

Licensee may not assign, pledge, hypothecate, give a security interest in, encumber, or otherwise transfer any interest in this Agreement or its obligations, rights, claims, interests or monies due or to become due hereunder, or any materials bearing any of the Trademarks, without the prior written consent of Licensor. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns. Notwithstanding the foregoing, subject to the terms and conditions of this Agreement, Licensee may sublicense the Technology and Trademarks to only those persons or entities that agree to abide by and uphold the terms and conditions of this Agreement (including payment of all royalties and other fees related to the use of the Technology and the Trademarks hereunder).

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ARTICLE 17. NO AGENCY

Nothing herein contained shall be construed to constitute either party hereto as partner or joint venturer or as agent or other representative of the other. Licensee is not granted any right, power or authority to assume or create any obligation, express or implied, on behalf of Licensor or in Licensor's name, or to make any purchase for Licensor's account, or to bind Licensor in any manner or thing whatsoever. Licensee shall have no right, power or authority to accept summons or legal process for Licensor. In their operations hereunder, Licensor and Licensee shall be independent contractors retaining complete control over and bearing sole liability for each of their own operations and employees.

ARTICLE 18. AMENDMENTS

This Agreement shall not be changed, modified, abrogated or superseded unless by a writing signed by both parties.

ARTICLE 19. SEVERABILITY

Should any part or provision of this Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts or provisions shall not be affected by such holding unless the part or provision which is held to be unenforceable or in conflict with the law of the jurisdiction is an essential term of the contract in which event the contract shall be deemed terminated.

ARTICLE 20. CAPTIONS

The titles of the Articles of this Agreement are intended only to facilitate reference and shall not be used in interpreting the meaning of this Agreement.

ARTICLE 21. TRANSLATION

Should this Agreement be translated into any other language but English, the English version shall remain controlling and prevail on any question of interpretation or otherwise.

ARTICLE 22. NO WAIVER

None of the terms of this Agreement may be waived except by a writing signed by the waiving party. The failure of either party hereto to enforce, or the delay by either party in enforcing, any of its rights under this Agreement shall not be deemed a continuing waiver or a modification thereof and either party may, within the time provided by applicable law, commence appropriate legal action to enforce any or all of such rights.

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ARTICLE 23. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the State of California, United States of America and the laws of the United States of America as applied therein, in both cases without regard to the conflict of law principles thereof. The acts or laws of a foreign government shall not be considered force majeure or otherwise excuse a departure from this Agreement. It is the intent of the parties that their relations under this Agreement be governed exclusively as specified herein. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in Oakland/San Francisco, California in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof. The parties hereby waive any claim whatsoever that any such controversy or claim is nonarbitrable on the grounds of public policy. The arbitrator(s) shall have the power to: (1) order such discovery as, in the arbitrator(s) discretion, shall contribute to a just and speedy resolution of the controversy or claim and to impose sanctions for breaches of such orders; (2) award attorneys' fees and costs to a party prevailing on a controversy or claim or part thereof; and (3) award preliminary and final injunctions and awards of specific performance, it being the intent of the parties that such relief be granted liberally. Any arbitrator shall be fluent in the English language and familiar with the consumer products industry. The arbitration proceeding will be held in the English language and all opinions and awards will be issued in English. The costs of the arbitration and enforcement of the award shall be an issue determined by the arbitrator(s). Each of the parties hereto will be entitled to an injunction, restraining order or other equitable relief to prevent breaches of the provisions of this Agreement.

ARTICLE 24. LOCAL LAWS AND STANDARDS OF BUSINESS CONDUCT

(a) Licensee acknowledges Licensee's responsibilities under the local laws and regulations applicable to Licensee's operation under this Agreement and will always conduct Licensee's business under this Agreement in a manner meeting the highest ethical standards.

(b) Any failure of Licensee to abide by this Article that brings harm or injury to the name, good will, or reputation of Licensor or Licensor's affiliated companies, the Trademarks, or the Products shall be grounds for termination of this Agreement by Licensor.

ARTICLE 25. RECORDATION OF AGREEMENT

This Agreement, or an extract hereof, may be recorded at the discretion of Licensor in the proper offices and registries in the Territory and Licensee shall execute any documents considered by Licensor to be necessary to effect such recordation. In the event of the termination of this Agreement, Licensee shall execute any documents considered by Licensor necessary to effect cancellation of the recordation of this Agreement, and Licensor may cancel such recordation without the consent of Licensee.

ARTICLE 26. NOTICES

Any notice, offer or demand desired or required to be given hereunder shall be in writing and deemed given when personally delivered or sent by first class registered or certified airmail or by facsimile addressed as respectively set forth above under "PARTIES", or to such other address as any party shall have previously designated by such a notice. Any notice so delivered personally shall be deemed to be received on the date of receipted delivery, any notice given by registered airmail shall be deemed to have been received 5 days after the same has been posted, and any facsimile shall be deemed to be received on the business day following the date of the facsimile.

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ARTICLE 27. INTEGRATION

This Agreement contains the entire understanding of the parties with respect to the subject matter hereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein. This Agreement supersedes all other prior agreements and understandings between the parties with respect to the subject matter hereof, including the agreements, if any, set forth on Exhibit D, which shall, upon the execution of this Agreement, terminate and be of no further force or effect.

ARTICLE 28. THIRD PARTY BENEFICIARIES

P&G Sub shall be a third party beneficiary of this Agreement and shall have the right to enforce the rights of Licensor hereunder solely to the extent that Licensee breaches this Agreement and Licensor fails to enforce such rights within thirty (30) days being requested by P&G to do so. Except as expressly provided in this Article 28, nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto or their respective successors and permitted assigns, any rights, remedies, benefits, obligations or liabilities of any nature whatsoever under or by reason of this Agreement.

ARTICLE 29. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by the different parties on separate counterparts each of which will be deemed an original, but all of which will constitute one and the same instrument.

ARTICLE 30. DEFINITIONS

The following terms, as used in this Agreement, shall have the definitions set forth in this Article 30 and constitute part of the terms and conditions of this Agreement:

“Affiliate” shall mean any entity that is a direct or indirect subsidiary of a party, including any entity that is at least [* * *]% owned, directly or indirectly, by a party, or any entity that owns, directly or indirectly, at least [* * *]% of a party, or otherwise controls or is controlled by a party, or which is a joint venture which is at least [* * *]% owned by a party or another affiliate of a party.

“Call Right” shall have the meaning set forth in the JV Agreement.

“Clorox” shall mean The Clorox Company, a Delaware corporation.

“Fair Market Value” shall have the meaning set forth in the JV Agreement.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

“ Glad Global Business ” shall have the meaning set forth in the JV Agreement.

“ Glad Local Business ” shall mean the Glad Global Business conducted by the Licensee in the Territory.

“ Infringement ” shall have the meaning set forth in Article 7(f) hereof.

“ Intellectual Property ” shall mean any and all intellectual property, including, without limitation, patents, copyrights, software, trade secrets, technology, inventions, specifications, know-how, processes, formulae, product descriptions and other technical or proprietary information.

“ International Acquisition ” shall mean the sale, disposition or other transfer to a Third Party of all or substantially all of the equity interests of Licensee or of all or substantially all the business, assets and properties of Licensee used in the Glad Local Business, but excluding (i) any transaction in connection with which the Put Right or the Call Right is exercised, (ii) any Third-Party Sale in connection with which Clorox exercises its right to cause a sale and (iii) any transaction in connection with which the Tag-Along Right is exercised.

“ IP Acquisition ” shall have the meaning set forth in the JV Agreement.

“ JV Agreement ” shall mean the Amended and Restated Joint Venture Agreement, dated as of January 31, 2003, between Licensor, P&G Sub and certain of their respective Affiliates, as such agreement may be amended, supplemented or otherwise modified in accordance with the terms thereof.

“ P&G License Agreement ” shall mean the License Agreement, dated as of January 31, 2003, between P&G Sub and Licensor, as such agreement may be amended, supplemented or otherwise modified in accordance with the terms thereof.

“ P&G Sub ” shall mean Procter & Gamble RHD Inc., an Ohio corporation.

“ Prior Agreement ” shall have the meaning set forth in Article 27 hereof.

“ Products ” shall mean the products set forth in Exhibit A, as may be amended from time to time pursuant to Article 2 herein.

“ Properties ” shall have the meaning set forth in Article 7(a) hereof.

“ Put Right ” shall have the meaning set forth in the JV Agreement.

“ Tag-Along Right ” shall have the meaning set forth in the JV Agreement.

“ Technology ” shall mean any and all Intellectual Property owned or held by Licensor, from time to time, which Licensor has the right to license or sublicense to Licensee, that is used or useful in connection with the manufacture, packaging, production, distribution, sale, offer for sale, advertisement, promotion of or in relation to the Products, expressly excluding the Intellectual Property licensed to Licensor under the P&G License Agreement.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

“ Termination Fee ” shall have the meaning set forth in Article 11(a) hereof.

“ Territory ” shall mean the territories set forth in Exhibit B.

“ Third-Party Sale ” shall have the meaning set forth in the JV Agreement.

“ Trademarks ” shall mean any and all trademarks, service marks, trade names, brand names, corporate names, domain names, URLs, logos and trade dress, together with the goodwill symbolized by any of the foregoing and all common law rights relating to any of the foregoing, owned or held by Licensor, from time to time, which Licensor has the right to license or sublicense to Licensee, that is used or useful in the manufacture, packaging, production, distribution, sale, offer for sale, advertisement, promotion or any other manner of use whatsoever on or in relation to the Products, expressly excluding any trademarks, service marks, trade names, brand names, corporate names, domain names, URLs, logos or trade dress licensed to Licensor under the P&G License Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

(“Licensor”)

(“Licensee”)

THE GLAD PRODUCTS COMPANY

By:

By:

Name:

Name

Title:

Title

Signature Page

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.



EXHIBIT A

DESCRIPTION OF PRODUCTS

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

EXHIBIT B

DESCRIPTION OF TERRITORY

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

EXHIBIT C

DESCRIPTION OF ROYALTY

Licensee agrees to pay Licensor royalties as follows:

For Products sold bearing the Trademarks:

“Net Sales” shall be defined as the gross amount billed for the Products less trade or quantity discounts, credits or allowances.

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

EXHIBIT D

SUPERSEDED AGREEMENT(S)

THE PORTIONS OF THIS AGREEMENT IDENTIFIED BY THE SYMBOL “[* * *]” HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST.

Name of Company	Jurisdiction of Incorporation
1221 Olux, LLC	Delaware
6570 Donlon Group, LLC	Delaware
A & M Products Manufacturing Company	Delaware
Andover Properties, Inc.	Delaware
Aplicare, Inc.	Connecticut
Bees International Corporation	Japan
Brita Canada Corporation	Nova Scotia
Brita Canada Holdings Corporation	Nova Scotia
Brita GP	Ontario
Brita LP	Ontario
Brita Manufacturing Company	Delaware
The Brita Products Company	Delaware
BGP (Switzerland) S. a. r. l.	Switzerland
Burt's Bees, Inc.	Delaware
Burt's Bees Australia Pty Ltd.	Australia
Burt's Bees International Holdings	Delaware
Burt's Bees Licensing, LLC	Delaware
The Burt's Bees Products Company	Delaware
Caltech Industries, Inc.	Michigan
CBee (Europe) Limited	United Kingdom
Chesapeake Assurance Limited	Hawaii
Clorox Africa (Proprietary) Ltd.	South Africa
Clorox Africa Holdings (Proprietary) Ltd.	South Africa
Clorox Argentina S.A.	Argentina
Clorox Australia Pty. Ltd.	Australia
Clorox Brazil Holdings LLC	Delaware
Clorox (Cayman Islands) Ltd.	Cayman Islands
Clorox Chile S.A.	Chile
Clorox China (Guangzhou) Ltd.	Guangzhou, P.R.C.
Clorox Commercial Company	Delaware
The Clorox Company of Canada Ltd.	Canada (Federal)
Clorox de Centro America, S.A.	Costa Rica
Clorox de Colombia S.A.	Colombia
Clorox de Mexico, S.A. de C.V.	Mexico
Clorox de Panama S.A.	Panama
Clorox del Ecuador S.A. Ecuacolorox	Ecuador
Clorox Diamond Production Company	Delaware
Clorox Dominicana S.R.L.	Dominican Republic
Clorox (Europe) Financing S.a.r.l.	Luxembourg
Clorox Healthcare Holdings, LLC	Delaware
Clorox Holdings Pty. Limited	Australia
Clorox Hong Kong Limited	Hong Kong
Clorox Hungary Liquidity Management Kft	Hungary
The Clorox International Company	Delaware
Clorox International Holdings, LLC	Delaware
Clorox International Philippines, Inc.	The Philippines
Clorox Luxembourg S.a.r.l.	Luxembourg
Clorox (Malaysia) Sdn. Bhd.	Malaysia
Clorox Manufacturing Company	Delaware
Clorox Manufacturing Company of Puerto Rico, Inc.	Puerto Rico
Clorox Mexicana S. de R.L. de C.V.	Mexico

Name of Company	Jurisdiction of Incorporation
Clorox New Zealand Limited	New Zealand
The Clorox Outdoor Products Company	Delaware
Clorox Peru S.A.	Peru
The Clorox Pet Products Company	Texas
Clorox Professional Products Company	Delaware
The Clorox Sales Company	Delaware
Clorox Services Company	Delaware
Clorox Servicios Corporativos S. de R.L. de C.V.	Mexico
Clorox Spain, S.L.	Spain
Clorox Spain Holdings, S.L.	Spain
Clorox Sub-Sahara Africa Limited	Kenya
Clorox (Switzerland) S.a.r.l.	Switzerland
Clorox Uruguay S.A.	Uruguay
The Consumer Learning Center, Inc.	Delaware
Corporacion Clorox de Venezuela, S.A.	Venezuela
CLX Realty Co.	Delaware
Evolution Sociedad S.A.	Uruguay
Fabricante de Productos Plasticos, S.A. de C.V.	Mexico
First Brands (Bermuda) Limited	Bermuda
First Brands Corporation	Delaware
First Brands do Brasil Ltda.	Brazil
First Brands Mexicana, S.A. de C.V.	Mexico
Fully Will Limited	Hong Kong
Gazoontite, LLC	Delaware
Glad Manufacturing Company	Delaware
The Glad Products Company	Delaware
The Household Cleaning Products Company of Egypt Ltd.	Egypt
The HV Food Products Company	Delaware
HV Manufacturing Company	Delaware
Invermark S.A.	Argentina
Jingles LLC	Delaware
Kaflex S.A.	Argentina
Kingsford Manufacturing Company	Delaware
The Kingsford Products Company, LLC	Delaware
Lerwood Holdings Limited	British Virgin Islands
The Mexco Company	Delaware
Mohamed Ali Abudawood for Industry and Partners for Industry Company Ltd.	Saudi Arabia
National Cleaning Products Company Limited	Saudi Arabia
Paulsboro Packaging Inc.	New Jersey
Petroplus Productos Automotivos S.A.	Brazil
Petroplus Sul Comercio Exterior S.A.	Brazil
ReNew Life Acquisition Corporation	Delaware
ReNew Life Canada Inc.	Ontario
ReNew Life Formulas, Inc.	Florida
ReNew Life Holdings Corporation	Delaware
Round Ridge Production Company	Delaware
Soy Vay Enterprises, Inc.	California
STP do Brasil Ltda.	Brazil
Yuhan-Clorox Co., Ltd.	Korea

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

- (1) Registration Statement (Form S-3 No. 333-200722) and in the related Prospectuses of The Clorox Company, and
- (2) Registration Statements (Form S-8 Nos. 33-41131, including post effective amendments No. 1 and No. 2, 33-56565, 33-56563, 333-29375, 333-16969, 333-44675, 333-86783, 333-131487, 333-69455, including post effective amendment No. 1, 333-90386, including the post effective amendment No. 1, and 333-193913) of The Clorox Company;

of our reports dated August 16, 2016, with respect to the consolidated financial statements and schedule of The Clorox Company and the effectiveness of internal control over financial reporting of The Clorox Company included in this Annual Report (Form 10-K) of the Clorox Company for the year ended June 30, 2016.

/s/ Ernst & Young LLP

San Francisco, CA
August 16, 2016

CERTIFICATION

I, Benno Dorer, certify that:

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

Date: August 16, 2016

/s/ Benno Dorer

Benno Dorer

Chairman and Chief Executive Officer

CERTIFICATION

I, Stephen M. Robb, certify that:

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

Date: August 16, 2016

/s/ Stephen M. Robb

Stephen M. Robb

Executive Vice President - Chief Financial Officer

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-K for the period ended June 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), we, Benno Dorer, Chairman and Chief Executive Officer of the Company, and Stephen M. Robb, 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 our knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

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

Date: August 16, 2016

/s/ Benno Dorer

Benno Dorer
Chairman and Chief Executive Officer

/s/ Stephen M. Robb

Stephen M. Robb
Executive Vice President – Chief Financial Officer

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

The Clorox Company

(Dollars in millions, except share and per share data)

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of The Clorox Company's (the Company or Clorox) financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. In certain instances, parenthetical references are made to relevant sections of the Notes to Consolidated Financial Statements to direct the reader to a further detailed discussion. This section should be read in conjunction with the Consolidated Financial Statements and Supplementary Data included in this Annual Report on Form 10-K.

The following sections are included herein:

- Executive Overview
- Results of Operations
- Financial Position and Liquidity
- Contingencies
- Quantitative and Qualitative Disclosures about Market Risk
- Recently Issued Accounting Standards
- Critical Accounting Policies and Estimates
- Summary of Non-GAAP Financial Measures

EXECUTIVE OVERVIEW

Clorox is a leading multinational manufacturer and marketer of consumer and professional products with approximately 8,000 employees worldwide as of June 30, 2016 and fiscal year 2016 net sales of \$5,761. Clorox sells its products primarily through grocery and mass retail outlets, e-commerce channels, wholesale distributors and medical supply distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products, Pine-Sol[®] cleaners, Liquid-Plumr[®] clog removers, Poett[®] home care products, Fresh Step[®] cat litter, Glad[®] bags, wraps and container products, Kingsford[®] charcoal, Renew Life[®] digestive health products, Hidden Valley[®] dressings and sauces, Brita[®] water-filtration products and Burt's Bees[®] natural personal care products. The Company also markets brands through professional services channels, including infection control products for the healthcare industry under Clorox Healthcare[®], HealthLink[®], Aplicare[®] and Dispatch[®] brands. The Company manufactures products in more than a dozen countries and sells them in more than 100 markets.

The Company primarily markets its leading brands in midsized categories considered to be financially attractive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands.

The Company operates through strategic business units that are aggregated into the following four reportable segments based on the economics and nature of the products sold:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox[®] brand and Clorox 2[®] stain fighter and color booster; home care products, primarily under the Clorox[®], Formula 409[®], Liquid-Plumr[®], Pine-Sol[®], S.O.S[®] and Tilex[®] brands; naturally derived products under the Green Works[®] brand; and professional cleaning and disinfecting products under the Clorox[®], Dispatch[®], Aplicare[®], HealthLink[®] and Clorox Healthcare[®] brands.
- *Household* consists of charcoal, cat litter, digestive health products and bags, wraps and container products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford[®] and Match Light[®] brands; cat litter products under the Fresh Step[®], Scoop Away[®] and Ever Clean[®] brands; digestive health products under the Renew Life[®] brand; and bags, wraps and containers under the Glad[®] brand.

- *Lifestyle* consists of food products, water-filtration systems and filters and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®], KC Masterpiece[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; and natural personal care products under the Burt's Bees[®] brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, digestive health products, charcoal and cat litter products, dressings and sauces, bags, wraps and containers and natural personal care products, primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Brill[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], Renew Life[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®] and Burt's Bees[®] brands.

Non-GAAP Financial Measures

This Executive Overview, the succeeding sections of MD&A and Exhibit 99.3 include certain financial measures that are not defined by accounting principles generally accepted in the United States of America (U.S. GAAP). These measures, which are referred to as non-GAAP measures, are listed below.

- *Currency-neutral net sales growth* represents U.S. GAAP net sales growth excluding the impact of the change in foreign currency exchange rates.
- *Economic profit (EP)* is defined by the Company as earnings from continuing operations before income taxes, excluding noncash U.S. GAAP restructuring and intangible asset impairment costs, and interest expense; less an amount of tax based on the effective tax rate and less a charge equal to average capital employed multiplied by a cost of capital rate.
- *Free cash flow and free cash flow as a percentage of net sales.* Free cash flow is calculated as net cash provided by continuing operations less capital expenditures related to continuing operations.
- *Earnings from continuing operations before interest and taxes (EBIT) margin (the ratio of EBIT to net sales)*
- *Debt to earnings from continuing operations before interest, taxes, depreciation and amortization, and noncash intangible asset impairment charges ratio (Consolidated Leverage ratio)*

For a discussion of these measures and the reasons management believes they are useful to investors, refer to “*Summary of Non-GAAP Financial Measures*” below. For a discussion of the Consolidated Leverage ratio, please refer to “*Credit Arrangements*” below. This MD&A and Exhibit 99.3 include reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

Fiscal Year 2016 Financial Highlights

A detailed discussion of strategic goals, key initiatives and results of operations is included below. Key fiscal year 2016 financial results are summarized as follows:

- The Company's fiscal year 2016 net sales increased by 2%, from \$5,655 in fiscal year 2015 to \$5,761 in fiscal year 2016, reflecting higher volume and the benefit of price increases, partially offset by unfavorable foreign currency exchange rates and higher trade promotion spending. On a currency-neutral basis, net sales increased 5%.
- Gross margin increased 150 basis points to 45.1% in fiscal year 2016 from 43.6% in fiscal year 2015, reflecting the benefits of favorable commodity costs, cost savings and price increases, partially offset by higher manufacturing and logistics costs, increased trade promotion spending, and the impact of unfavorable foreign currency exchange rates.
- The Company reported earnings from continuing operations of \$648 in fiscal year 2016 compared to \$606 in fiscal year 2015. The Company reported earnings from continuing operations before income taxes of \$983 in fiscal year 2016, compared to \$921 in fiscal year 2015.
- The Company delivered diluted net EPS from continuing operations in fiscal year 2016 of \$4.92, an increase of approximately 8% from fiscal year 2015 diluted net EPS of \$4.57.
- EP increased to \$490 in fiscal year 2016 compared to \$458 in fiscal year 2015 (refer to the reconciliation of EP to earnings from continuing operations before income taxes in Exhibit 99.3).
- The Company's net cash flows provided by continuing operations were \$768 in fiscal year 2016, compared to \$858 in fiscal year 2015 reflecting higher tax payments and higher performance-based incentive compensation payments in fiscal year 2016 related to the Company's strong fiscal year 2015 financial results. Free cash flow was \$596 or 10% of net sales in fiscal year 2016, a decrease from \$733 or 13% of net sales in fiscal year 2015.

- The Company paid \$398 in cash dividends to stockholders in fiscal year 2016 compared to \$385 in cash dividends in fiscal year 2015. In May 2016, the Company announced an increase of 4% in the quarterly cash dividend from prior year. In fiscal year 2016, the Company repurchased approximately 2 million shares of its common stock at a cost of \$254.
- On May 2, 2016, the Company acquired Renew Life, a leading brand in digestive health for \$290. Results for Renew Life’s domestic business are reflected in the Household reportable segment and results for Renew Life’s international business are reflected in the International reportable segment. Included in the Company’s results for fiscal year 2016 was \$21 of Renew Life’s global net sales.

Strategic Goals and Initiatives

The Clorox Company’s 2020 Strategy serves as its strategic growth plan, directing the Company to the highest value opportunities for long-term, profitable growth and total shareholder return.

The long-term financial goals reflected in the Company’s 2020 Strategy include annual net sales growth of 3-5%, annual EBIT margin growth of 25-50 basis points and annual free cash flow of 10-12% of net sales. Clorox anticipates using free cash flow to invest in the business, maintain appropriate debt levels and return excess cash to stockholders.

In fiscal year 2017, Clorox anticipates ongoing macroeconomic challenges that may impact its sales and margins, including unfavorable foreign currency exchange rates, particularly in Argentina, and a continuation of challenging international economies. The Company is monitoring anticipated slower U.S. category growth, driven primarily by expected competitive activity and changes to commodity costs and manufacturing and logistics costs.

The Company’s priority in fiscal year 2017 remains investing strongly in its U.S. businesses, particularly in its “3D” demand-creation model of Desire, Decide and Delight, including advertising and trade promotion spending. The Company is also focused on product innovation to delight and deliver superior value to consumers. Importantly, the Company will work to continue to improve its margins by driving cost savings initiatives and slowing the growth of selling and administrative expenses by driving out low-value activity.

As the Company executes its 2020 Strategy, a particular focus on “Strategy Accelerators,” will help drive investment decisions with the goal to deliver profitable long-term growth:

- **Accelerating portfolio momentum** reallocates resources to faster-growing countries, categories and brands in the portfolio or focuses investment in new categories with growth tailwinds like the Company’s recent acquisition of Renew Life digestive health products.
- **Accelerating 3D technology transformation** reflects an emphasis in digital communications that can deliver more targeted messages based on how consumers research, shop and buy their products. The Company continues to invest in digital marketing and social media and is focused on driving its e-commerce business.
- **Accelerating innovation** across the Company’s 3D demand-creation model of Desire, Decide and Delight will continue to support category growth and market share improvement. The Company is focused on delivering superior value to consumers through the introduction of new products and product improvements.
- **Accelerating the Company’s growth culture** involves fostering a work environment where employees directly support the Company’s effort to drive profitable growth. The growth culture vision provides a framework to deliver on that goal through five calls to action: put the consumer first, be curious, think boldly, embrace change and act like an owner.

Looking forward, the Company will continue to execute against its 2020 Strategy and seek to achieve its goals to deliver long-term profitable growth.

RESULTS OF OPERATIONS

Unless otherwise noted, management’s discussion and analysis compares results of continuing operations from fiscal year 2016 to fiscal year 2015, and fiscal year 2015 to fiscal year 2014, with percentage and basis point calculations based on rounded numbers, except for per share data and the effective tax rate.

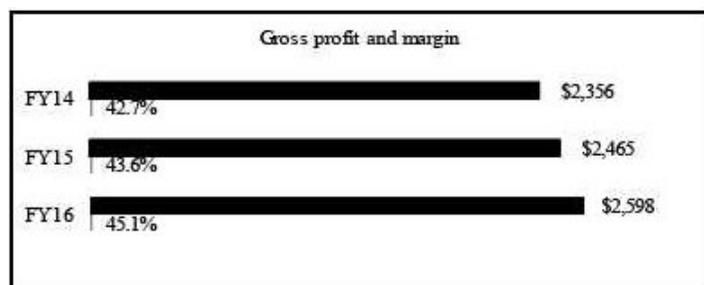
CONSOLIDATED RESULTS

Continuing operations



Net sales in fiscal year 2016 increased 2%. Volume increased 4% reflecting higher shipments in all reportable segments and most significantly in Cleaning, Household and Lifestyle. Higher shipments in the Cleaning segment were driven by Home Care and Professional Products, partially offset by Laundry; higher shipments in the Household segment were primarily due to the acquisition of the Renew Life business, Charcoal, and Bags and Wraps, partially offset by Cat Litter; and higher shipments in the Lifestyle segment primarily were due to Natural Personal Care and Dressing and Sauces. Volume outpaced net sales primarily due to unfavorable foreign currency exchange rates and higher trade promotion spending, partially offset by the benefit of price increases.

Net sales in fiscal year 2015 increased 3%. Volume increased 2%, reflecting higher product shipments in the International segment, primarily due to growth in Latin America, Canada, Europe and Asia; higher shipments of Burt's Bees[®] natural personal care products, largely due to innovation in lip and face care products combined with distribution gains; higher shipments of cleaning and healthcare products in the professional products business; higher shipments of Clorox[®] toilet bowl cleaner due to increased merchandising activities and distribution gains; and higher shipments of Kingsford[®] charcoal products behind increased merchandising support to launch the start of the grilling season. Volume results also reflected lower shipments of Clorox[®] liquid bleach due to the February 2015 price increase, category softness and increased competition; and lower shipments of Brita[®] water-filtration products, primarily due to continuing category softness and increased competition. The variance between volume and net sales was primarily due to the benefit of price increases, partially offset by unfavorable foreign currency exchange rates. On a currency-neutral basis, net sales increased about 5%.



Gross margin, defined as gross profit as a percentage of net sales, in fiscal year 2016 increased 150 basis points from 43.6% to 45.1%. Gross margin expansion in fiscal year 2016 was driven by the benefits of favorable commodity costs, strong cost savings and price increases, partially offset by higher manufacturing and logistics costs, increased trade promotion spending and the impact of unfavorable foreign currency exchange rates.

Gross margin, defined as gross profit as a percentage of net sales, in fiscal year 2015 increased 90 basis points from 42.7% to 43.6%. Gross margin expansion in fiscal year 2015 was driven by the benefits of cost savings and price increases, partially offset by the impact of higher manufacturing and logistics costs.

Expenses

				% Change		% of Net sales		
	2016	2015	2014	2016 to 2015	2015 to 2014	2016	2015	2014
Selling and administrative expenses	\$ 806	\$ 798	\$ 751	1%	6%	14.0%	14.1%	13.6%
Advertising costs	587	523	503	12	4	10.2	9.2	9.1
Research and development costs	141	136	125	4	9	2.4	2.4	2.3

Selling and administrative expenses were relatively flat in fiscal year 2016.

Selling and administrative expenses increased 6% in fiscal year 2015, primarily from higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets. Expenses in the prior year reflected lower performance-based incentive costs when the Company's results fell below financial targets. In addition, the Company continued to experience inflationary pressures in international markets. These increases were partially offset by the benefit of cost savings, one-time costs in fiscal year 2014 related to the change in information technology (IT) service providers and a one-time impact related to a change in the Company's long-term disability plan in fiscal year 2015 to bring it more in line with the marketplace.

Advertising costs as a percentage of net sales increased during fiscal year 2016 mainly to drive awareness and trial behind innovation and maintain the health of the Company's core business. The Company's U.S. retail advertising spend was approximately 11% of net sales during the year.

Advertising costs as a percentage of net sales increased slightly during fiscal year 2015, reflecting continued support behind the Company's brands, including driving the trial of new products. The Company's U.S. retail advertising spend was approximately 10% of net sales during the year.

Research and development costs as a percentage of net sales was flat in fiscal year 2016.

Research and development costs increased slightly as a percentage of net sales in fiscal year 2015, driven by higher performance-based incentive costs.

Interest expense, Other (income) expense, net, and the effective tax rate on earnings

	2016	2015	2014
Interest expense	\$ 88	\$ 100	\$ 103
Other income, net	(7)	(13)	(10)
Income taxes on continuing operations	335	315	305

Interest expense decreased \$12 in fiscal year 2016, primarily due to a lower weighted-average interest rate on total debt.

Interest expense decreased \$3 in fiscal year 2015, primarily due to a lower weighted-average interest rate on long-term debt resulting from the issuance of senior notes in December 2014 and the maturities of senior notes in January 2015, combined with less interest expense on a lower balance of commercial paper throughout fiscal year 2015.

Other (income) expense, net, of \$(7) in fiscal year 2016 included \$(15) of income from equity investees, \$(11) gain on the sale of the Los Angeles bleach manufacturing facility, partially offset by \$9 of noncash asset impairment charges and \$8 of amortization of trademarks and other intangible assets.

Other (income) expense, net, of \$(13) in fiscal year 2015 included \$(14) of income from equity investees, \$(13) gain on the sale of real estate assets by a low-income housing partnership and \$(4) of interest income, partially offset by \$9 of foreign currency exchange losses, \$8 of amortization of trademarks and other intangible assets and \$3 of noncash asset impairment charges.

Other (income) expense, net, of \$(10) in fiscal year 2014 included \$(13) of income from equity investees, \$(5) of insurance and litigation settlements and other smaller items, partially offset by \$8 of amortization of trademarks and other intangible assets and \$3 of noncash asset impairment charges.

The effective tax rate on earnings was 34.1%, 34.2% and 34.6% in fiscal years 2016, 2015 and 2014, respectively. The effective tax rate in fiscal year 2016 compared to fiscal year 2015 was essentially flat. The lower effective tax rate in fiscal year 2015 compared to fiscal year 2014 was primarily due to higher uncertain tax position releases, partially offset by higher tax on foreign earnings, in fiscal year 2015.

Diluted net earnings per share

	2016	2015	2014	% Change	
				2016 to 2015	2015 to 2014
Diluted net EPS from continuing operations	\$ 4.92	\$ 4.57	\$ 4.39	8%	4%

Diluted net earnings per share (EPS) from continuing operations increased \$0.35, driven by the benefits of higher sales and gross margin expansion, partially offset by increased advertising investments.

Diluted net EPS from continuing operations increased \$0.18 in fiscal year 2015, driven by the benefits of higher sales and gross margin expansion, partially offset by increased selling and administrative expenses, primarily from higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets. Expenses in the prior year reflected lower performance-based incentive costs when the Company's results fell below financial targets. Increased investments in total demand-building programs also reduced fiscal year diluted EPS.

Discontinued Operations

On September 22, 2014, Clorox Venezuela announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. Since fiscal year 2012, Clorox Venezuela was required to sell more than two thirds of its products at prices frozen by the Venezuelan government. During this same period, Clorox Venezuela experienced successive years of hyperinflation resulting in significant sustained increases in its input costs, including packaging, raw materials, transportation and wages. As a result, Clorox Venezuela had been selling its products at a loss, resulting in ongoing operating losses. Clorox Venezuela repeatedly met with government authorities in an effort to help them understand the rapidly declining state of the business, including the need for immediate, significant and ongoing price increases and other critical remedial actions to address these adverse impacts. Based on the Venezuelan government's representations, Clorox Venezuela had expected significant price increases would be forthcoming much earlier; however, the price increases subsequently approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss into the foreseeable future. As such, Clorox Venezuela was no longer financially viable and was forced to discontinue its operations.

On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the Santa Lucía and Guacara production facilities of Clorox Venezuela. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business of Clorox Venezuela, thereby reaffirming the government's expropriation of Clorox Venezuela's assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at Clorox Venezuela plants. He also announced his approval of a financial credit to invest in raw materials and production at the plants. These actions by the Venezuelan government were taken without the consent or involvement of Clorox Venezuela, its parent Clorox Spain S.L. (Clorox Spain) or any of their affiliates. Clorox Venezuela, Clorox Spain and their affiliates reserved their rights under all applicable laws and treaties. Since the exit of Clorox Venezuela in the first quarter of fiscal year 2015, the Company has recognized \$49 in after-tax exit costs and other related expenses within discontinued operations related to the exit of Clorox Venezuela. The Company believes it is reasonably possible that it will recognize \$1 to \$11 in after-tax exit costs and other related expenses in discontinued operations for Clorox Venezuela during fiscal years 2017 through 2019, for a total of \$50 to \$60 over the entire five-year period.

See Notes to Consolidated Financial Statements for more information regarding discontinued operations of Clorox Venezuela.

Unrelated to Clorox Venezuela, in the fiscal year ended June 30, 2015, the Company recognized \$32 of previously unrecognized tax benefits relating to other discontinued operations upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flows or earnings from continuing operations for the fiscal year ended June 30, 2015.

SEGMENT RESULTS FROM CONTINUING OPERATIONS

The following presents the results from continuing operations of the Company's reportable segments and certain unallocated costs reflected in Corporate (see Notes to Consolidated Financial Statements for a reconciliation of segment results to consolidated results):

Cleaning

	2016	2015	2014	% Change	
				2016 to 2015	2015 to 2014
Net sales	\$ 1,912	\$ 1,824	\$ 1,776	5%	3%
Earnings from continuing operations before income taxes	511	445	428	15	4

Fiscal year 2016 versus fiscal year 2015: Volume, net sales and earnings from continuing operations before income taxes increased by 6%, 5% and 15%, respectively, during fiscal year 2016. Both volume and net sales growth were driven primarily by higher shipments across several Home Care brands, including Clorox[®] disinfecting wipes resulting from increased merchandising support and expanded warehouse club distribution, and in Professional Products mainly in cleaning products. These increases were partially offset by lower shipments in Laundry, primarily due to the impact of the February 2015 price increase on Clorox[®] liquid bleach. Volume outpaced net sales due to unfavorable product mix. The increase in earnings from continuing operations before income taxes was mainly due to net sales growth, the benefit of favorable commodity costs, strong cost savings, and the gain on the sale of the Company's Los Angeles bleach manufacturing facility, partially offset by higher manufacturing and logistics costs and increased advertising investments.

Fiscal year 2015 versus fiscal year 2014: Volume, net sales and earnings from continuing operations before income taxes increased by 2%, 3% and 4%, respectively, during fiscal year 2015. Both volume and net sales grew primarily due to higher shipments of Clorox[®] toilet bowl cleaner and Clorox[®] disinfecting wipes in Home Care, behind increased merchandising activities. The Professional Products Division also grew volume, which was driven primarily by distribution gains across a number of brands. These increases were partially offset by lower shipments of Clorox[®] liquid bleach in Laundry, primarily due to the February 2015 price increase. Net sales growth outpaced volume growth primarily due to the benefit of price increase. The increase in earnings from continuing operations before income taxes was driven by the benefit of sales growth and cost savings, partially offset by an increase in demand-building investments.

Household

	2016	2015	2014	% Change	
				2016 to 2015	2015 to 2014
Net sales	\$ 1,862	\$ 1,794	\$ 1,709	4%	5%
Earnings from continuing operations before income taxes	428	375	326	14	15

Fiscal year 2016 versus fiscal year 2015: Volume, net sales and earnings from continuing operations before income taxes increased by 3%, 4% and 14%, respectively, during fiscal year 2016. Both volume growth and net sales growth were driven by the acquisition of the Renew Life business, higher shipments of Charcoal resulting from increased merchandising support and increased shipments across several Glad[®] products, including continued strength in premium trash bags. These increases were partially offset by lower shipments of Cat Litter, largely due to continuing competitive activity. Net sales growth outpaced volume growth, primarily due to favorable product mix and the benefit of price increases, partially offset by higher trade promotion spending, mainly in Bags and Wraps. The increase in earnings from continuing operations before income taxes was mainly due to net sales growth, the benefit of favorable commodity costs and strong cost savings, partially offset by higher manufacturing and logistics costs and increased advertising investments.

Fiscal year 2015 versus fiscal year 2014: Volume, net sales and earnings from continuing operations before income taxes increased by 2%, 5% and 15%, respectively, during fiscal year 2015. Both volume growth and net sales growth were driven by higher shipments of Kingsford[®] charcoal products behind increased merchandising activities. Net sales growth outpaced volume growth primarily due to the benefits of price increases on Glad[®] bags and wraps. The increase in earnings from continuing operations before income taxes was driven by strong sales growth and the benefit of cost savings, partially offset by an increase in demand building investments and manufacturing and logistics costs.

Lifestyle

				% Change	
	2016	2015	2014	2016 to 2015	2015 to 2014
Net sales	\$ 990	\$ 950	\$ 936	4%	1%
Earnings from continuing operations before income taxes	251	257	258	(2)	-

Fiscal year 2016 versus fiscal year 2015: Volume and net sales increase by 5% and 4%, respectively, while earnings from continuing operations before income taxes decreased 2% during fiscal year 2016. Both volume growth and net sales growth were primarily driven by higher shipments of Burt's Bees[®] Natural Personal Care largely due to innovation in lip and face care and higher shipments of Hidden Valley[®] bottled salad dressings due to innovation. Volume growth outpaced net sales growth primarily due to increased trade promotion spending. The decrease in earnings from continuing operations before income taxes was primarily due to increased advertising investments to support new products and increased selling and administrative expenses to support innovation and growth, partially offset by net sales growth and cost savings.

Fiscal year 2015 versus fiscal year 2014: Net sales and volume both increased by 1%, while earnings from continuing operations before income taxes remained flat during fiscal year 2015. Both net sales growth and volume growth were driven by higher shipments of Burt's Bees[®] natural personal care products, largely due to innovation in lip and face care products combined with distribution gains. The increase was partially offset by lower shipments of Brita[®] water-filtration products, primarily due to continuing category softness and increased competition. Flat earnings from continuing operations before income taxes reflected lower commodity costs, cost savings and favorable product mix. These increases were offset by higher manufacturing and logistics costs and demand building investments.

International

				% Change	
	2016	2015	2014	2016 to 2015	2015 to 2014
Net sales	\$ 997	\$ 1,087	\$ 1,093	(8)%	(1)%
Earnings from continuing operations before income taxes	66	79	99	(16)	(20)

Fiscal year 2016 versus fiscal year 2015: Volume increased 1%, while net sales and earnings from continuing operations before income taxes decreased by 8% and 16%, respectively, during fiscal year 2016. Volume grew primarily due to higher shipments, mainly in Canada, which included the benefit of Renew Life acquisition, Mexico, and Europe, partially offset by lower shipments in certain other Latin American countries largely due to the impact of price increases taken to offset inflationary pressures. The decline in net sales was primarily due to unfavorable foreign currency exchange rates across multiple countries, including the impact of the significant devaluation of the Argentine peso, partially offset by the benefit of price increases. The decrease in earnings from continuing operations before income taxes was primarily due to lower net sales, unfavorable foreign currency exchange rates, inflationary pressure on manufacturing and logistics costs and higher advertising costs, offset by the benefits of price increases and cost savings.

Fiscal year 2015 versus fiscal year 2014: Volume increased 3%, while net sales and earnings from continuing operations before income taxes decreased 1% and 20%, respectively, during fiscal year 2015. Volume grew primarily due to higher shipments in Latin America, Canada, Europe and Asia. Volume growth outpaced net sales growth primarily due to unfavorable foreign currency exchange rates, partially offset by the benefit of price increases and favorable product mix. The decrease in earnings from continuing operations before income taxes was primarily driven by unfavorable foreign currency exchange rates and inflation across multiple countries, primarily in Argentina (see "Argentina" below), which resulted in higher selling and administrative expenses, higher manufacturing and logistics costs and higher commodity costs. These decreases in earnings were partially offset by the benefit of price increases, favorable product mix and cost savings.

Argentina

The Company operates in Argentina through certain wholly owned subsidiaries (collectively, "Clorox Argentina"). Net sales from Clorox Argentina represented approximately 3% and 4% for the fiscal years ended June 30, 2016 and 2015, respectively, of the Company's consolidated net sales for those periods. The operating environment in Argentina and the Latin America region continues to present business challenges, including significant devaluing currency and inflation.

Clorox Argentina manufactures products at three plants that it owns and operates across Argentina and markets those products to consumers throughout the country. Products are advertised nationally and sold to consumers through wholesalers and retail outlets located throughout Argentina. Sales are made primarily through the use of Clorox Argentina's sales force. Small amounts of products produced in Argentina are exported each year, including sales to the Company's subsidiaries located primarily in Latin America. Clorox Argentina obtains its raw materials almost entirely from local sources. The Company also conducts research and development activities at its owned facility in Buenos Aires, Argentina. Additionally, Clorox Argentina performs marketing, legal, and various other shared service activities to support the Company's Latin American operations. Clorox Argentina in turn benefits from shared service activities performed within other geographic locations, such as information technology support and manufacturing technical assistance.

For the fiscal year ended June 30, 2016 and 2015, the value of the Argentine peso (ARS) declined 39% and 10%, respectively. As of June 30, 2016, using the exchange rate of 15 ARS per U.S. dollar (USD), Clorox Argentina had total assets of \$77, including cash and cash equivalents of \$22, net receivables of \$13, inventories of \$19, net property, plant and equipment of \$15 and intangible assets excluding goodwill of \$3. Goodwill for Argentina is aggregated and assessed for impairment at the Latin America reporting unit level, which is part of the Company's International reportable segment. Based on the results of the annual impairment test performed in the fourth quarter of fiscal year 2016, the fair value of the Latin America reporting unit exceeded its carrying value by more than 20% and reflected unfavorable foreign currency exchange rates across several countries and the Company's expectations of continued challenges from the Latin America region. Although Argentina is not currently designated as a highly inflationary economy for accounting purposes, further volatility and declines in the exchange rate are expected in the future, which would have an additional adverse impact on Clorox Argentina's net sales, net earnings, and net monetary asset position.

The Company is closely monitoring developments in Argentina and is taking steps intended to mitigate the adverse conditions, but there can be no assurances that these actions will be able to mitigate these conditions.

Corporate

				% Change	
	2016	2015	2014	2016 to 2015	2015 to 2014
Losses from continuing operations before income taxes	\$ (273)	\$ (235)	\$ (227)	16%	4%

Corporate includes certain non-allocated administrative costs, interest income, interest expense and other non-operating income and expenses. Corporate assets include cash and cash equivalents, property and equipment, other investments and deferred taxes.

Fiscal year 2016 versus fiscal year 2015: The increase in losses from continuing operations before income was primarily due to higher current year benefits and performance-based employee incentive costs including the prior year change in the Company's long-term disability plan to bring it more in line with the marketplace, absence of the prior year's gain on the sale of real estate assets by a low-income housing partnership and increased current year information technology spending to support the Company's initiatives. This was partially offset by lower current year interest expense primarily due to a lower weighted-average interest rate on total debt.

Fiscal year 2015 versus fiscal year 2014: The increase in losses from continuing operations before income taxes was primarily due to higher performance-based incentive costs as a result of fiscal year financial performance exceeding financial targets, compared to the prior year which reflected lower performance-based incentive costs when the Company's results fell below financial targets. This factor was partially offset by cost savings, a gain on the sale of real estate assets by a low-income housing partnership and benefits from a change in the Company's long-term disability plan to bring it more in line with the marketplace.

FINANCIAL POSITION AND LIQUIDITY

Management's discussion and analysis of the Company's financial position and liquidity describes its consolidated operating, investing and financing activities from continuing operations, contractual obligations and off-balance sheet arrangements.

The following table summarizes cash activities from continuing operations for the years ended June 30:

	2016	2015	2014
Net cash provided by continuing operations	\$ 768	\$ 858	\$ 786
Net cash used for investing activities	(430)	(106)	(137)
Net cash used for financing activities	(316)	(696)	(592)

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs in excess of tax benefits. However, these cash balances held by foreign subsidiaries are generally available without legal restriction to fund local business operations.

In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in Other (income) expense, net. The Company's cash holdings at June 30 were as follows:

	2016	2015	2014
U.S. dollar balances held by U.S. dollar functional currency subsidiaries and at parent	\$ 249	\$ 221	\$ 180
Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	133	142	132
U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	19	19	12
Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries	-	-	5
Total	\$ 401	\$ 382	\$ 329

The Company's total cash balance was \$401 as of June 30, 2016, as compared to \$382 as of June 30, 2015. The increase of \$19 was primarily attributable to \$768 of net cash provided by continuing operations, largely offset by cash used in investing activities of \$430, which included the \$290 acquisition of Renew Life and \$172 in capital expenditures, and cash used in financing activities of \$316, which included cash dividends of \$398 and share repurchases of \$254, partially offset by proceeds from the issuance of common stock for employee stock plans of \$210 and incremental borrowings of \$126.

The Company's total cash balance was \$382 as of June 30, 2015, as compared to \$329 as of June 30, 2014. The increase of \$53 was primarily attributable to \$858 of net cash provided by continuing operations, \$495 of net proceeds from the December 2014 long-term debt issuance and \$251 of proceeds from the issuance of common stock for employee stock plans. These increases were partially offset by \$575 of repayments of long-term debt, \$434 of share repurchases, \$385 of dividend payments, \$125 of capital expenditures and \$48 of repayments of commercial paper borrowings.

Operating Activities

Net cash provided by continuing operations decreased to \$768 in fiscal year 2016 from \$858 in fiscal year 2015. The decrease reflected higher payments in the current year for both taxes and performance-based employee incentive compensation related to the Company's strong 2015 fiscal year results. These factors were partially offset by higher earnings from continuing operations in fiscal year 2016 and \$25 in prior year payments to settle interest-rate hedges related to the Company's issuance of long-term debt.

Net cash provided by continuing operations increased to \$858 in fiscal year 2015 from \$786 in fiscal year 2014. The increase was primarily due to the company's fiscal year performance, including solid net sales growth and margin expansion. Other contributing factors include lower performance-based incentive payments related to the company's fiscal year 2014 performance and lower tax payments in the current period, as well as the initial funding of the company's non-qualified deferred compensation plan in the year-ago period. These benefits were partially offset by \$25 in payments to settle interest-rate hedges related to the company's issuance of long-term debt in December 2014.

Investing Activities

Capital expenditures were \$172, \$125 and \$137, respectively, in fiscal years 2016, 2015 and 2014. Capital spending as a percentage of net sales was 3.0%, 2.2% and 2.5% for fiscal years 2016, 2015 and 2014, respectively. The increase in fiscal year 2016 was due to additional capital spending to drive cost savings and to support innovation and growth. The relatively flat fiscal year 2015 capital spending as a percentage of net sales was due to prudent management of capital spending against manufacturing, technology and facility projects which meet growth, efficiency, replacement or compliance requirements.

In April 2016, the Company sold its Los Angeles bleach manufacturing facility, resulting in \$20 in cash proceeds from investing activities and a gain of \$(11) recorded in Other (income) expense, net, on the consolidated statement of earnings for the year ended June 30, 2016. In September 2015, the Company sold its corporate jet to an unrelated party for cash proceeds of \$11.

In April 2015, a low-income housing partnership, in which the Company was a limited partner, sold its real estate holdings. The real property sale resulted in \$15 in cash proceeds from investing activities and a gain of \$(14) recorded in Other (income) expense, net, on the consolidated statement of earnings for the year ended June 30, 2015.

Acquisition

On May 2, 2016, the Company acquired Renew Life, a leading brand in digestive health. The amount paid was \$290 funded through commercial paper.

Free cash flow

	2016	2015	2014
Net cash provided by continuing operations	\$ 768	\$ 858	\$ 786
Less: capital expenditures	(172)	(125)	(137)
Free cash flow	\$ 596	\$ 733	\$ 649
Free cash flow as a percentage of net sales	10.3%	13.0%	11.8%

Financing Activities

Capital Resources and Liquidity

Net cash used for financing activities was \$316 in fiscal year 2016, as compared to \$696 in fiscal year 2015. Net cash used for financing activities was lower in fiscal year 2016, mainly driven by the increase in net borrowings to fund the Renew Life acquisition.

Net cash used for financing activities was \$696 in fiscal year 2015, as compared to \$592 in fiscal year 2014. Net cash used for financing activities was higher in fiscal year 2015 due to a net reduction in long-term debt and an increase in share repurchases and dividends paid. These factors were partially offset by an increase in proceeds from the issuance of common stock for employee stock plans.

Credit Arrangements

As of June 30, 2016, the Company had a \$1,100 revolving credit agreement (the Credit Agreement), which expires in October 2019. There were no borrowings under the Credit Agreement as of June 30, 2016 or 2015, and the Company believes that borrowings under the Credit Agreement are and will continue to be available for general corporate purposes. The agreement includes certain restrictive covenants and limitations. The primary restrictive covenant is a maximum ratio of total debt to earnings before interest, taxes, depreciation and amortization and intangible asset impairment (Consolidated EBITDA) for the trailing four quarters (Consolidated Leverage ratio), as defined and described in the Credit Agreement, of 3.50.

The following table sets forth the calculation of the Consolidated Leverage ratio as of June 30, using Consolidated EBITDA for the trailing four quarters, as contractually defined:

	2016
Earnings from continuing operations	\$ 648
Add back:	
Interest expense	88
Income tax expense	335
Depreciation and amortization	165
Noncash intangible asset impairment charges	9
Deduct:	
Interest income	5
Consolidated EBITDA	<u>\$ 1,240</u>
Total debt	<u>\$ 2,320</u>
Consolidated Leverage ratio	<u>1.87</u>

The Company was in compliance with all restrictive covenants and limitations in the credit agreement as of June 30, 2016, and anticipates being in compliance with all restrictive covenants for the foreseeable future. The Company continues to monitor the financial markets and assess its ability to fully draw on its revolving credit agreement, and currently expects that any drawing on the agreement will be fully funded.

Of the \$28 of foreign and other credit lines as of June 30, 2016, \$5 was outstanding and the remainder of \$23 was available for borrowing. Of the \$29 of foreign and other credit lines as of June 30, 2015, \$4 was outstanding and the remainder of \$25 was available for borrowing.

Short-term Borrowings

The Company's notes and loans payable include U.S. commercial paper issued by the parent company and a short-term loan held by a non-U.S. subsidiary. These short-term borrowings have stated maturities less than one year and provide supplemental funding for supporting operations. The level of U.S. commercial paper borrowings generally fluctuate depending upon the amount and timing of operating cash flows and payments for items such as dividends, income taxes, share repurchases and pension contributions. The average balance of U.S. commercial paper borrowings outstanding was \$371 and \$104 for the fiscal year ended June 30, 2016 and 2015, respectively.

Long-term Borrowings

In November 2015, \$300 of the Company's senior notes with an annual fixed interest rate of 3.55% became due and were repaid using commercial paper borrowings and cash on hand.

In January 2015, \$575 of the Company's senior notes with an annual fixed interest rate of 5.00% became due and were repaid using the net proceeds from the December 2014 debt issuance and commercial paper borrowings.

In December 2014, under a shelf registration statement filed with the SEC that will expire in December 2017, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.50%. Interest on the notes is payable semi-annually in June and December and the notes have a maturity date of December 15, 2024. The notes carry an effective interest rate of 4.10%, which includes the impact from the settlement of interest rate forward contracts in December 2014 (see Notes to Consolidated Financial Statements). The notes rank equally with all of the Company's existing senior indebtedness.

Based on the Company's working capital requirements, anticipated ability to generate positive cash flows from operations in the future, investment-grade credit ratings, demonstrated access to long- and short-term credit markets and current borrowing availability under credit agreements, the Company believes it will have the funds necessary to meet its financing requirements and other fixed obligations as they become due. The Company may consider other transactions which may require the issuance of additional long- and/or short-term debt or other securities to finance acquisitions, repurchase shares, refinance debt or fund other activities for general business purposes. Such transactions could require funds in excess of the Company's current cash levels and available credit lines, and the Company's access to or cost of such additional funds could be adversely affected by any decrease in credit ratings, which were the following as of June 30:

	2016		2015	
	Short-term	Long-term	Short-term	Long-term
Standard and Poor's	A-2	BBB+	A-2	BBB+
Moody's	P-2	Baa1	P-2	Baa1

Share Repurchases and Dividend Payments

The Company has two share repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to \$750, all of which was available for share repurchases as of both June 30, 2016 and 2015, and a program to offset the anticipated impact of share dilution related to share-based awards (the Evergreen Program), which has no authorization limit as to amount or timing of repurchases.

Share repurchases under authorized programs were as follows during the fiscal years ended June 30:

	2016		2015		2014	
	Amount	Shares (000)	Amount	Shares (000)	Amount	Shares (000)
Open-market purchase programs	\$ -	-	\$ -	-	\$ -	-
Evergreen Program	254	2,151	434	4,016	260	3,046
Total	\$ 254	2,151	\$ 434	4,016	\$ 260	3,046

Dividends per share and total dividends amount paid were as follows during the fiscal years ended June 30:

	2016	2015	2014
Dividends per share declared	\$ 3.11	\$ 2.99	\$ 2.87
Total dividends paid	398	385	368

Contractual Obligations

The Company had contractual obligations as of June 30, 2016, payable or maturing in the following fiscal years:

	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt maturities including interest payments	\$ 72	460	48	47	47	1,495	\$ 2,169
Notes and loans payable	523	-	-	-	-	-	523
Purchase obligations ⁽¹⁾	150	54	37	12	2	1	256
Capital leases	3	2	1	-	-	-	6
Operating leases	49	45	38	32	29	135	328
Payments related to nonqualified postretirement plans ⁽²⁾	17	18	16	16	15	70	152
Venture agreement terminal obligation ⁽³⁾	-	-	-	-	-	448	448
Total	\$ 814	\$ 579	\$ 140	\$ 107	\$ 93	\$ 2,149	\$ 3,882

- (1) Purchase obligations are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity has been made. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The raw material contracts included above are entered into during the regular course of business based on expectations of future purchases. Many of these raw material contracts are flexible to allow for changes in the Company's business and related requirements. If such changes were to occur, the Company believes its exposure could differ from the amounts listed above. Any amounts reflected in the consolidated balance sheets as Accounts payable and accrued liabilities are excluded from the table above.
- (2) This amount represents expected payments through 2026. Based on the accounting rules for retirement and postretirement benefit plans, the liabilities reflected in the Company's consolidated balance sheets differ from these expected future payments (see Notes to Consolidated Financial Statements).
- (3) The Company has a venture agreement with The Procter & Gamble Company (P&G) for the Company's Glad[®] bags, wraps and containers business. As of June 30, 2016 and 2015, P&G had a 20% interest in the venture. The agreement with P&G will expire in January 2023, unless the parties decide on or prior to January 2018, to extend the term of the agreement for another 10 years. Upon termination of the agreement, the Company is required to purchase P&G's interest for cash at fair value as established by predetermined valuation procedures. As of June 30, 2016, the estimated fair value of P&G's interest was \$448, of which \$302 has been recognized and is reflected in Other liabilities in the Company's June 30, 2016 Consolidated Balance Sheet. The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold on a straight-line basis over the remaining life of the agreement. The estimated fair value of P&G's interest increased significantly in 2016 and may increase or decrease up until any such purchase by the Company of P&G's interest. These changes will affect the amount of future charges to Cost of products sold. Refer to Notes to Consolidated Financial Statements for further details.

Off-Balance Sheet Arrangements

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

The Company had not recorded any liabilities on the aforementioned indemnifications as of June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the Company was a party to letters of credit of \$10 and \$11, respectively, both primarily related to one of its insurance carriers, of which \$0 had been drawn upon.

CONTINGENCIES

A summary of contingencies is contained in Note 12 of Notes to Consolidated Financial Statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational company, the Company is exposed to the impact of foreign currency fluctuations, changes in commodity prices, interest-rate risk and other types of market risk.

In the normal course of business, where available at a reasonable cost, the Company manages its exposure to market risk using contractual agreements and a variety of derivative instruments. The Company's objective in managing its exposure to market risk is to limit the impact of fluctuations on earnings and cash flow through the use of swaps, forward purchases and futures contracts. Derivative contracts are entered into for non-trading purposes with major credit-worthy institutions, thereby decreasing the risk of credit loss.

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

Sensitivity Analysis for Derivative Contracts

For fiscal years 2016 and 2015, the Company's exposure to market risk was estimated using sensitivity analyses, which illustrate the change in the fair value of a derivative financial instrument assuming hypothetical changes in foreign exchange rates, commodity prices or interest rates. The results of the sensitivity analyses for foreign currency derivative contracts, commodity derivative contracts and interest rate contracts are summarized below. Actual changes in foreign exchange rates, commodity prices or interest rates may differ from the hypothetical changes, and any changes in the fair value of the contracts, real or hypothetical, would be partly to fully offset by an inverse change in the value of the underlying hedged items.

The changes in the fair value of derivatives are recorded as either assets or liabilities in the consolidated balance sheets with an offset to net earnings or Other comprehensive income (loss), depending on whether or not, for accounting purposes, the derivative is designated and qualified as a cash flow hedge. During the fiscal years ended June 30, 2016, 2015 and 2014, the Company had no hedging instruments designated as fair value hedges. In the event the Company has contracts not designated as hedges for accounting purposes, the Company recognizes the changes in the fair value of these contracts in the consolidated statement of earnings.

Foreign Currency Risk

The Company seeks to minimize the impact of certain foreign currency fluctuations by hedging transactional exposures with foreign currency forward contracts. Based on a hypothetical decrease of 10% in the value of the U.S. dollar as of June 30, 2016 and June 30, 2015, the estimated fair value of the Company's then-existing foreign currency derivative contracts would decrease by \$9 and \$12, respectively, with the corresponding impact included in Accumulated other comprehensive income (loss). Based on a hypothetical increase of 10% in the value of the U.S. dollar as of June 30, 2016 and June 30, 2015, the estimated fair value of the Company's then-existing foreign currency derivative contracts would increase by \$7 and \$10, respectively, with the corresponding impact included in Accumulated other comprehensive income (loss).

Commodity Price Risk

The Company is exposed to changes in the price of commodities used as raw materials in the manufacturing of its products. The Company uses various strategies to manage cost exposures on certain raw material purchases with the objective of obtaining more predictable costs for these commodities, including long-term commodity purchase contracts and commodity derivative contracts, where available at a reasonable cost. During fiscal years 2016 and 2015, the Company's raw materials exposures pertaining to derivative contracts existed with jet fuel and soybean oil. Based on a hypothetical decrease or increase of 10% in these commodity prices as of June 30, 2016, and June 30, 2015, the estimated fair value of the Company's then-existing commodity derivative contracts would decrease or increase by \$3 and \$4, respectively, with the corresponding impact included in Accumulated other comprehensive income (loss).

Interest Rate Risk

The Company is exposed to interest rate volatility with regard to existing short-term borrowings, primarily commercial paper, and anticipated future issuances of long-term debt. Weighted average interest rates for commercial paper borrowings have been less than 1% during fiscal years 2016 and 2015. Assuming average variable rate debt levels during fiscal years 2016 and 2015, a 100 basis point increase in interest rates would increase interest expense from commercial paper by approximately \$4 and \$1, respectively. Assuming average variable rate debt levels in fiscal years 2016 and 2015, a decrease in interest rates to zero percent would decrease interest expense from commercial paper by \$3 and \$1, respectively.

The Company is also exposed to interest rate volatility with regard to anticipated future issuances of debt. Primary exposures include movements in U.S. Treasury rates. The Company used interest rate forward contracts to reduce interest rate volatility on fixed rate long-term debt during fiscal year 2015, but had no interest rate forward contract positions during fiscal year 2016, and no outstanding contracts as of June 30, 2016.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Company plans to adopt Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," in the first quarter of fiscal year 2017. While the actual benefit realized may vary significantly given the inherent uncertainty in predicting future share-based transactions, the Company currently estimates that the adoption will result in approximately a 4 percentage point benefit to the Company's historical effective tax rate of 34% to 35% for fiscal year 2017. A summary of all recently issued accounting standards, including ASU 2016-09, is contained in Note 1 of Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable and collection is reasonably assured. Sales are recorded net of allowances for trade promotions, coupons, returns and other discounts. The Company routinely commits to one-time or ongoing trade-promotion programs with customers. Programs include shelf-price reductions, end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. Costs related to these programs are recorded as a reduction of sales. The Company's trade promotion accruals are primarily based on estimated volume and incorporate historical sales and spending trends by customer and category. The determination of these estimated accruals requires judgment and may change in the future as a result of changes in customer promotion participation, particularly for new programs and for programs related to the introduction of new products. Final determination of the total cost of a promotion is dependent upon customers providing information about proof of performance and other information related to the promotional event. This process of analyzing and settling trade-promotion programs with customers could impact the Company's results of operations and trade promotion accruals depending on how actual results of the programs compare to original estimates. If the Company's trade promotion accrual estimates as of June 30, 2016 were to differ by 10%, the impact on net sales would be approximately \$11.

Goodwill and Other Intangible Assets

The Company tests its goodwill and other indefinite-lived intangible assets for impairment annually in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

Goodwill

Consistent with fiscal year 2015, the Company's reporting units for goodwill impairment testing purposes are its domestic Strategic Business Units (SBUs), Canada, Latin America and AMEA (Asia, Middle East, Europe and Australia, New Zealand, and South Africa). These reporting units are components of the Company's business that are either operating segments or one level below an operating segment and for which discrete financial information is available that is reviewed by the managers of the respective operating segments. No instances of impairment were identified during the fiscal year 2016 annual impairment review. All of the Company's reporting units had fair values that exceeded recorded values. However, future changes in the judgments, assumptions and estimates that are used in the impairment testing for goodwill and indefinite-lived intangible assets as described below could result in significantly different estimates of the fair values.

In its evaluation of goodwill impairment, the Company has the option to first assess qualitative factors such as maturity and stability of the reporting unit, magnitude of excess fair value over carrying value from the prior year's impairment testing, other reporting unit operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of each reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. Had the estimated fair value of any reporting unit been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow (DCF) approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF include, but are not limited to, future sales volumes, revenue and expense growth rates, changes in working capital, foreign exchange rates, currency devaluation, inflation and a perpetuity growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

Trademarks and Other Indefinite-Lived Intangible Assets

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

During fiscal year 2016, the Company recognized \$9 of intangible asset impairment charges, of which \$6 related to the Aplicare[®] trademark within the Cleaning segment. The Aplicare[®] trademark impairment was recognized based on the anticipated impact on future results from a competitive market entrant. No instances of impairment were identified as a result of the Company's fourth quarter annual impairment review.

Finite-Lived Intangible Assets

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

Employee Benefits

The Company's critical accounting policies and estimates in this area relate to its stock-based compensation and retirement income programs.

Stock-based Compensation

The Company grants various nonqualified stock-based compensation awards to eligible employees, including stock options, performance units and restricted stock. The stock-based compensation expense and related income tax benefit recognized in the consolidated statement of earnings in fiscal year 2016 were \$45 and \$17, respectively. As of June 30, 2016, there was \$53 of unrecognized compensation costs related to non-vested stock options, restricted stock and performance unit awards, which are expected to be recognized over a weighted average remaining vesting period of one year. The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative catch-up adjustment in the period of change.

The use of different assumptions in the Black-Scholes valuation model could lead to a different estimate of the fair value of each stock option. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. If the Company's assumption for the volatility rate is increased by one percentage point, the fair value of options granted in fiscal year 2016 would have increased by \$1. The expected life of the stock options is based on observed historical exercise patterns. If the Company's assumption for the expected life is increased by one year, the fair value of options granted in fiscal year 2016 would have increased by less than \$1.

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The performance period is three years and the payout determination is made at the end of the three-year performance period. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates and the initial assumption that performance goals will be achieved. Compensation expense is adjusted based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, previously recognized compensation expense is trued up in the current period to reflect the expected payout level. Actual results could materially differ from previous estimates. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized, subject to a cap of 150% of target.

Retirement Income Plans

The determination of net periodic pension cost is based on actuarial assumptions including a discount rate to reflect the time value of money, the long-term rate of return on plan assets, employee compensation rates and demographic assumptions to determine the probability and timing of benefit payments. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation. The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation. The actual net periodic pension cost could differ from the expected results because actuarial assumptions and estimates are used. In the calculation of pension expense related to domestic plans for 2016, the Company used a beginning-of-year discount rate assumption of 4.2% and a long-term rate of return on plan assets assumption of 4.3%. The use of a different discount rate or long-term rate of return on domestic plan assets can significantly impact pension expense. For example, as of June 30, 2016, a decrease of 100 basis points in the discount rate would increase the domestic retirement income plans' pension liability by approximately \$63, and decrease fiscal year 2016 domestic retirement income plans' pension expense by \$2. A 100 basis point decrease in the long-term rate of return on plan assets would increase fiscal year 2016 domestic retirement income plans' pension expense by \$4. At the end of fiscal year 2016, the long-term rate of return is assumed to be 4.7% for the domestic plan assets. This change is a result of the change in the plan's target investment allocation. The Company also has defined benefit pension plans for eligible international employees, including Canadian employees, and different assumptions are used in the determination of pension expense for those plans, as appropriate. See Notes to Consolidated Financial Statements for further discussion of pension and other retirement plan obligations.

Income Taxes

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

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

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

As of June 30, 2016, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$37. Since audit outcomes and the timing of audit settlements are subject to significant uncertainty, liabilities for uncertain tax positions are excluded from the contractual obligations table (see Notes to Consolidated Financial Statements).

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

SUMMARY OF NON-GAAP FINANCIAL MEASURES

The non-GAAP financial measures included in this MD&A and Exhibit 99.3 and the reasons management believes they are useful to investors are described below. These measures should be considered supplemental in nature and are not intended to be a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, these measures may not be the same as similarly named measures presented by other companies.

Free cash flow is calculated as net cash provided by continuing operations less capital expenditures related to continuing operations. The Company's management uses this measure and *free cash flow as a percentage of net sales* to help assess the cash generation ability of the business and funds available for investing activities, such as acquisitions, investing in the business to drive growth and financing activities, including debt payments, dividend payments and share repurchases. Free cash flow does not represent cash available only for discretionary expenditures, since the Company has mandatory debt service requirements and other contractual and non-discretionary expenditures. Refer to "Free cash flow" and "Free cash flow as a percentage of net sales" above for a reconciliation of these non-GAAP measures.

EBIT represents earnings from continuing operations before income taxes, interest income and interest expense. *EBIT margin* is the ratio of EBIT to net sales. The company's management believes these measures provide useful additional information to investors about trends in the company's operations and are useful for period-over-period comparisons.

Currency-neutral net sales growth represents U.S. GAAP net sales growth excluding the impact of the change in foreign currency exchange rates. The Company's management believes these measures provide useful additional information to investors about changes in the Company's core business operations without the unpredictability and volatility of currency fluctuations. The following table presents the *currency-neutral net sales growth* reconciliation for fiscal year 2016:

	2016
Net sales growth – GAAP	2%
Less: foreign exchange impact	(3)
Currency-neutral net sales growth – non-GAAP	5%

Economic profit (EP) is defined by the Company as earnings from continuing operations before income taxes, excluding noncash U.S. GAAP restructuring and intangible asset impairment costs, and interest expense; less an amount of tax based on the effective tax rate and less a charge equal to average capital employed multiplied by a cost of capital rate. EP is a key financial metric the Company's management uses to evaluate business performance and allocate resources, and is a component in determining employee incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit. Refer to Exhibit 99.3 for a reconciliation of EP to earnings from continuing operations before income taxes.

CAUTIONARY STATEMENT

This Annual Report on Form 10-K (this Report), including the exhibits hereto and the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements involve risks and uncertainties. Except for historical information, statements about future volume, sales, foreign currencies, costs, cost savings, margin, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, cash flows, plans, objectives, expectations, growth or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Words such as "could," "may," "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "predicts" and variations on such words, and similar expressions that reflect our current views with respect to future events and operational and financial performance, 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. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Report, as updated from time to time in the Company's Securities and Exchange Commission filings. These factors include, but are not limited to:

- intense competition in the Company's markets;
- worldwide, regional and local economic conditions and financial market volatility;
- the ability of the Company to drive sales growth, increase price and market share, grow its product categories and achieve favorable product and geographic mix;
- volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities, and increases in energy, transportation or other costs;
- dependence on key customers and risks related to customer consolidation and ordering patterns;
- risks related to reliance on information technology systems, including potential security breaches, cyber-attacks, privacy breaches or data breaches that result in the unauthorized disclosure of consumer, customer, employee or Company information, or service interruptions;
- costs resulting from government regulations;
- the ability of the Company to successfully manage global political, legal, tax and regulatory risks, including changes in regulatory or administrative activity;
- risks related to international operations, including political instability; government-imposed price controls or other regulations; foreign currency exchange rate controls, including periodic changes in such controls, fluctuations and devaluations; labor claims, labor unrest and inflationary pressures, particularly in Argentina; and potential harm and liabilities from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach; and the possibility of nationalization, expropriation of assets or other government action;
- risks relating to acquisitions, new ventures and divestitures, and associated costs, including the potential for asset impairment charges related to, among others, intangible assets and goodwill;
- the ability of the Company to develop and introduce commercially successful products;
- supply disruptions and other risks inherent in reliance on a limited base of suppliers;
- the impact of product liability claims, labor claims and other legal proceedings, including in foreign jurisdictions
- the success of the Company's business strategies;
- the ability of the Company to implement and generate anticipated cost savings and efficiencies;
- the Company's ability to attract and retain key personnel;
- the Company's ability to maintain its business reputation and the reputation of its brands;
- environmental matters, including costs associated with the remediation of past contamination and the handling and/or transportation of hazardous substances;
- the impact of natural disasters, terrorism and other events beyond the Company's control;
- the Company's ability to maximize, assert and defend its intellectual property rights;
- any infringement or claimed infringement by the Company of third-party intellectual property rights;

- risks related to the potential increase in the Company's purchase price for P&G's interest in the Glad[®] business and the impact from the decision on whether or not to extend the term of the related agreement with P&G;
- the effect of the Company's indebtedness and credit rating on its business operations and financial results;
- risks related to the Company's discontinuation of operations in Venezuela;
- the Company's ability to pay and declare dividends or repurchase its stock in the future;
- the Company's ability to maintain an effective system of internal controls, including after completing acquisitions;
- uncertainties relating to tax positions, tax disputes and changes in the Company's tax rate;
- the accuracy of the Company's estimates and assumptions on which its earnings guidance is based; and
- the impacts of potential stockholder activism.

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America.

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

Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* published in 2013. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting at June 30, 2015, and concluded that it is effective.

Management has excluded Renew Life from its assessment of internal control over financial reporting as of June 30, 2016 because Renew Life was acquired by the Company on May 2, 2016. The acquired business' internal control over financial reporting and related processes have not been integrated into the Company's existing systems and internal control over financial reporting, and have been excluded from management's assessment of the effectiveness of internal control over financial reporting as of June 30, 2016. Renew Life, which is included in the June 30, 2016 consolidated financial statements, constitutes \$344 and \$284 of total and net assets, respectively, as of June 30, 2016 and \$21 and \$(6) of net sales and net earnings, respectively, for the year then ended.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited the accompanying consolidated balance sheets of The Clorox Company as of June 30, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2016. Our audits also included the financial statement schedule in Exhibit 99.2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Clorox Company at June 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Clorox Company's internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 16, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, CA
August 16, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of The Clorox Company

We have audited The Clorox Company's internal control over financial reporting as of June 30, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Clorox Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Renew Life, which is included in the June 30, 2016 consolidated financial statements of The Clorox Company and constituted \$344 and \$284 of total and net assets, respectively, as of June 30, 2016 and \$21 and \$(6) of net sales and net earnings, respectively, for the year then ended. Our audit of internal control over financial reporting of The Clorox Company also did not include an evaluation of the internal control over financial reporting of Renew Life.

In our opinion, The Clorox Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2016 of The Clorox Company and our report dated August 16, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, CA
August 16, 2016

CONSOLIDATED STATEMENTS OF EARNINGS*The Clorox Company*

Years ended June 30

Dollars in millions, except share and per share data	2016	2015	2014
Net sales	\$ 5,761	\$ 5,655	\$ 5,514
Cost of products sold	3,163	3,190	3,158
Gross profit	2,598	2,465	2,356
Selling and administrative expenses	806	798	751
Advertising costs	587	523	503
Research and development costs	141	136	125
Interest expense	88	100	103
Other (income) expense, net	(7)	(13)	(10)
Earnings from continuing operations before income taxes	983	921	884
Income taxes on continuing operations	335	315	305
Earnings from continuing operations	648	606	579
Losses from discontinued operations, net of tax	-	(26)	(21)
Net earnings	\$ 648	\$ 580	\$ 558
Net earnings (losses) per share			
Basic			
Continuing operations	\$ 5.01	\$ 4.65	\$ 4.47
Discontinued operations	-	(0.20)	(0.16)
Basic net earnings per share	\$ 5.01	\$ 4.45	\$ 4.31
Diluted			
Continuing operations	\$ 4.92	\$ 4.57	\$ 4.39
Discontinued operations	-	(0.20)	(0.16)
Diluted net earnings per share	\$ 4.92	\$ 4.37	\$ 4.23
Weighted average shares outstanding (in thousands)			
Basic	129,472	130,310	129,558
Diluted	131,717	132,776	131,742

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*The Clorox Company*

Years ended June 30

Dollars in millions	2016	2015	2014
Earnings from continuing operations	\$ 648	\$ 606	\$ 579
Losses from discontinued operations, net of tax	-	(26)	(21)
Net earnings	648	580	558
Other comprehensive (losses) income:			
Foreign currency adjustments, net of tax	(53)	(54)	(37)
Net unrealized gains (losses) on derivatives, net of tax	9	(14)	(9)
Pension and postretirement benefit adjustments, net of tax	(24)	(17)	(4)
Total other comprehensive (losses) income, net of tax	(68)	(85)	(50)
Comprehensive income	\$ 580	\$ 495	\$ 508

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS*The Clorox Company*

As of June 30

Dollars in millions, except share and per share data

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 401	\$ 382
Receivables, net	569	519
Inventories, net	443	385
Other current assets	72	143
Total current assets	1,485	1,429
Property, plant and equipment, net	906	918
Goodwill	1,197	1,067
Trademarks, net	657	535
Other intangible assets, net	78	50
Other assets	195	165
Total assets	<u>\$ 4,518</u>	<u>\$ 4,164</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	\$ 523	\$ 95
Current maturities of long-term debt	-	300
Accounts payable and accrued liabilities	1,035	979
Income taxes payable	-	31
Total current liabilities	1,558	1,405
Long-term debt	1,797	1,796
Other liabilities	784	750
Deferred income taxes	82	95
Total liabilities	<u>4,221</u>	<u>4,046</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued as of June 30, 2016 and 2015; and 129,355,263 and 128,614,310 shares outstanding as of June 30, 2016 and 2015, respectively	159	159
Additional paid-in capital	868	775
Retained earnings	2,163	1,923
Treasury shares, at cost: 29,386,198 and 30,127,151 shares as of June 30, 2016 and 2015, respectively	(2,323)	(2,237)
Accumulated other comprehensive net (losses) income	(570)	(502)
Stockholders' equity	<u>297</u>	<u>118</u>
Total liabilities and stockholders' equity	<u>\$ 4,518</u>	<u>\$ 4,164</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
The Clorox Company

Dollars in millions	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Shares		Accumulated Other Comprehensive Net (Losses) Income	Total
	Shares (000)	Amount			Shares (000)	Amount		
Balance as of June 30, 2013	158,741	\$ 159	\$ 661	\$ 1,561	(28,375)	\$ (1,868)	\$ (367)	\$ 146
Net earnings				558				558
Other comprehensive loss							(50)	(50)
Accrued dividends				(374)				(374)
Stock-based compensation			36					36
Other employee stock plan activities			12	(6)	1,476	92		98
Treasury stock purchased					(3,046)	(260)		(260)
Balance as of June 30, 2014	158,741	159	709	1,739	(29,945)	(2,036)	(417)	154
Net earnings				580				580
Other comprehensive loss							(85)	(85)
Accrued dividends				(391)				(391)
Stock-based compensation			32					32
Other employee stock plan activities			34	(5)	(4,198)	233		262
Treasury stock purchased					4,016	(434)		(434)
Balance as of June 30, 2015	158,741	159	775	1,923	(30,127)	(2,237)	(502)	118
Net earnings				648				648
Other comprehensive loss							(68)	(68)
Accrued dividends				(406)				(406)
Stock-based compensation			45					45
Other employee stock plan activities			48	(2)	2,892	168		214
Treasury stock purchased					(2,151)	(254)		(254)
Balance as of June 30, 2016	158,741	\$ 159	\$ 868	\$ 2,163	(29,386)	\$ (2,323)	\$ (570)	\$ 297

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS*The Clorox Company*

Years ended June 30

Dollars in millions	2016	2015	2014
Operating activities:			
Net earnings	\$ 648	\$ 580	\$ 558
Deduct: Losses from discontinued operations, net of tax	-	(26)	(21)
Earnings from continuing operations	648	606	579
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	165	169	177
Stock-based compensation	45	32	36
Deferred income taxes	5	(16)	(21)
Settlement of interest rate forward contracts	-	(25)	-
Other	1	(17)	6
Changes in:			
Receivables, net	(52)	6	20
Inventories, net	(45)	(25)	1
Other current assets	6	6	5
Accounts payable and accrued liabilities	57	93	(12)
Income taxes payable	(62)	29	(5)
Net cash provided by continuing operations	768	858	786
Net cash provided by (used for) discontinued operations	10	16	(19)
Net cash provided by operations	778	874	767
Investing activities:			
Capital expenditures	(172)	(125)	(137)
Business acquired, net of cash acquired	(290)	-	-
Other	32	19	-
Net cash used for investing activities from continuing operations	(430)	(106)	(137)
Net cash used for investing activities by discontinued operations	-	-	(1)
Net cash used for investing activities	(430)	(106)	(138)
Financing activities:			
Notes and loans payable, net	426	(48)	(60)
Long-term debt borrowings, net of issuance costs	-	495	-
Long-term debt repayments	(300)	(575)	-
Treasury stock purchased	(254)	(434)	(260)
Cash dividends paid	(398)	(385)	(368)
Issuance of common stock for employee stock plans and other	210	251	96
Net cash used for financing activities	(316)	(696)	(592)
Effect of exchange rate changes on cash and cash equivalents	(13)	(19)	(7)
Net increase in cash and cash equivalents	19	53	30
Cash and cash equivalents:			
Beginning of year	382	329	299
End of year	\$ 401	\$ 382	\$ 329
Supplemental cash flow information:			
Interest paid	\$ 79	\$ 104	\$ 76
Income taxes paid, net of refunds	323	236	312
Noncash financing activities:			
Cash dividends declared and accrued, but not paid	104	99	95

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Clorox Company
(Dollars in millions, except share and per share data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

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

Effective September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations. Consequently, the Company presents the financial results of Clorox Venezuela as a discontinued operation in the consolidated financial statements for all periods presented herein.

Use of Estimates

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

Cash and Cash Equivalents

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

The Company's cash position includes amounts held by foreign subsidiaries and, as a result, the repatriation of certain cash balances from some of the Company's foreign subsidiaries could result in additional tax costs in the United States and in certain foreign jurisdictions. However, these cash balances are generally available without legal restriction to fund local business operations. In addition, a portion of the Company's cash balance is held in U.S. dollars by foreign subsidiaries, whose functional currency is their local currency. Such U.S. dollar balances are reported on the foreign subsidiaries' books, in their functional currency, with the impact from foreign currency exchange rate differences recorded in Other (income) expense, net. The Company's cash holdings were as follows as of June 30:

	2016	2015
U.S. dollar balances held by U.S. dollar functional currency subsidiaries and at parent	\$ 249	\$ 221
Non-U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	133	142
U.S. dollar balances held by non-U.S. dollar functional currency subsidiaries	19	19
Non-U.S. dollar balances held by U.S. dollar functional currency subsidiaries	-	-
Total	\$ 401	\$ 382

As of June 30, 2016 and 2015, the Company had \$4 and \$3 of restricted cash, respectively, which is primarily related to fiscal year 2012 acquisitions. Restricted cash was included in Other assets as of June 30, 2016 and in Other current assets as of June 30, 2015.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Property, Plant and Equipment and Finite-Lived Intangible Assets

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

	Estimated Useful Lives
Buildings and leasehold improvements	10 - 40 years
Land improvements	10 - 30 years
Machinery and equipment	3 - 15 years
Computer equipment	3 - 5 years
Capitalized software costs	3 - 7 years

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

Capitalization of Software Costs

The Company capitalizes certain qualifying costs incurred in the acquisition and development of software for internal use, including the costs of the software, materials, consultants, interest and payroll and payroll-related costs for employees during the application development stage. Internal and external costs incurred during the preliminary project stage and post implementation-operation stage, mainly training and maintenance costs, are expensed as incurred. Once the application is substantially complete and ready for its intended use, qualifying costs are amortized on a straight-line basis over the software's estimated useful life.

Impairment Review of Goodwill and Indefinite-Lived Intangible Assets

The Company tests its goodwill, trademarks with indefinite lives and other indefinite-lived intangible assets annually for impairment in the fiscal fourth quarter unless there are indications during a different interim period that these assets may have become impaired.

With respect to goodwill, the Company has the option to first assess qualitative factors such as maturity and stability of the reporting unit, magnitude of excess fair value over carrying value from the prior year's impairment testing, other reporting unit specific operating results as well as new events and circumstances impacting the operations at the reporting unit level. If the result of a qualitative test indicates a potential for impairment of a reporting unit, a quantitative test is performed. The quantitative test is a two-step process. In the first step, the Company compares the estimated fair value of the reporting unit to its carrying value. In all instances, the estimated fair value exceeded the carrying value of the reporting unit. Had the estimated fair value of any reporting unit been less than its carrying value, the Company would have performed a second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of a reporting unit's goodwill had exceeded its implied fair value, an impairment charge would have been recorded for the difference between the carrying amount and the implied fair value of the reporting unit's goodwill.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To determine the fair value of a reporting unit as part of its quantitative test, the Company uses a discounted cash flow (DCF) approach, as it believes that this approach is the most reliable indicator of the fair value of its businesses and the fair value of their future earnings and cash flows. Under this approach, the Company estimates the future cash flows of each reporting unit and discounts these cash flows at a rate of return that reflects their relative risk. The cash flows used in the DCF are consistent with those the Company uses in its internal planning, which gives consideration to actual business trends experienced, and the broader business strategy for the long term. The other key estimates and factors used in the DCF include, but are not limited to, future sales volumes, revenue and expense growth rates, changes in working capital, foreign exchange rates, currency devaluation, inflation and a perpetuity growth rate. Changes in such estimates or the application of alternative assumptions could produce different results.

For trademarks and other intangible assets with indefinite lives, the Company performs a quantitative analysis to test for impairment. When a quantitative test is performed, the estimated fair value of an asset is compared to its carrying amount. If the carrying amount of such asset exceeds its estimated fair value, an impairment charge is recorded for the difference between the carrying amount and the estimated fair value. The Company uses the income approach to estimate the fair value of its trademarks and other intangible assets with indefinite lives. This approach requires significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and foreign exchange rates applied to those cash flows to determine fair value. Changes in such estimates or the use of alternative assumptions could produce different results.

Stock-based Compensation

The Company grants various nonqualified stock-based compensation awards to eligible employees, including stock options and performance units.

For stock options, the Company estimates the fair value of each award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The Company estimates stock option forfeitures based on historical data for each employee grouping. The total number of stock options expected to vest is adjusted by actual and estimated forfeitures. Changes to the actual and estimated forfeitures will result in a cumulative catch-up adjustment in the period of change. Compensation expense is recorded by amortizing the grant date fair values on a straight-line basis over the vesting period, adjusted for estimated forfeitures.

The Company's performance unit grants provide for the issuance of common stock to certain managerial staff and executive management if the Company achieves specified performance targets. The number of shares issued are dependent upon vesting and the achievement of specified performance targets. The performance period is three years and the payout determination is made at the end of the three-year performance period. Performance unit grants receive dividends earned during the vesting period upon vesting. The fair value of each grant issued is estimated on the date of grant based on the current market price of the stock. The total amount of compensation expense recognized reflects estimated forfeiture rates and the initial assumption that performance goals will be achieved. Compensation expense is adjusted based on management's assessment of the probability that performance goals will be achieved. If such goals are not met or it is determined that achievement of performance goals is not probable, previously recognized compensation expense is trued up in the current period to reflect the expected payout level. If it is determined that the performance goals will be exceeded, additional compensation expense is recognized, subject to a cap of 150%.

Cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock-based payment arrangements (excess tax benefits) are primarily classified as financing cash inflows.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits

The Company accounts for its defined benefit retirement income and retirement health care plans using actuarial methods. These methods use an attribution approach that generally spreads “plan events” over the service lives or expected lifetime (for frozen plans) of plan participants. Examples of plan events are plan amendments and changes in actuarial assumptions such as the expected return on plan assets, discount rate, rate of compensation increase and certain employee-related factors, such as retirement age and mortality. The principle underlying the attribution approach is that employees render service over their employment period on a relatively “smooth” basis and, therefore, the statement of earnings effects of retirement income and retirement health care plans are recognized in the same pattern. One of the principal assumptions used in the net periodic benefit cost calculation is the expected return on plan assets. The required use of an expected return on plan assets may result in recognized pension expense or income that differs from the actual returns of those plan assets in any given year. Over time, however, the goal is for the expected long-term returns to approximate the actual returns and, therefore, the expectation is that the pattern of income and expense recognition should closely match the pattern of the services provided by the participants. The Company uses a market-related value method for calculating plan assets for purposes of determining the amortization of actuarial gains and losses. The differences between actual and expected returns are recognized in the net periodic benefit cost calculation over the average remaining service period or expected lifetime (for frozen plans) of the plan participants using the corridor approach. Under this approach, only actuarial gains (losses) that exceed 5% of the greater of the projected benefit obligation or the market-related value of assets are amortized to pension expense by the Company. In developing its expected return on plan assets, the Company considers the long-term actual returns relative to the mix of investments that comprise its plan assets and also develops estimates of future investment returns by considering external sources.

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

Environmental Costs

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

Revenue Recognition

Sales are recognized as revenue when the risk of loss and title pass to the customer and when all of the following have occurred: a firm sales arrangement exists, pricing is fixed or determinable and collection is reasonably assured. Sales are recorded net of allowances for trade promotions, coupons, returns and other discounts. The Company routinely commits to one-time or ongoing trade-promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. Programs include shelf price reductions, end-of-aisle or in-store displays of the Company’s products and graphics and other trade-promotion activities conducted by the customer. Coupons are recognized as a liability when distributed based upon expected consumer redemptions. The Company maintains liabilities related to these programs for the estimated expenses incurred, but not paid, at the end of each period. Trade-promotion and coupon redemption costs are recorded as a reduction of sales.

The Company provides an allowance for doubtful accounts based on its historical experience and ongoing assessment of its customers’ credit risk. Receivables were presented net of an allowance for doubtful accounts of \$5 and \$4 as of June 30, 2016 and 2015, respectively. Receivables, net, included non-customer receivables of \$9 and \$12 as of June 30, 2016 and 2015, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of Products Sold

Cost of products sold represents the costs directly related to the manufacture and distribution of the Company's products and primarily includes raw materials, packaging, contract manufacturing fees, shipping and handling, warehousing, package design, depreciation, amortization, direct and indirect labor and operating costs for the Company's manufacturing and distribution facilities including salary, benefit costs and incentive compensation, and royalties and other charges related to the Company's Glad[®] Venture Agreement (see Note 10).

Costs associated with developing and designing new packaging are expensed as incurred and include design, artwork, films and labeling. Expenses for fiscal years ended June 30, 2016, 2015 and 2014 were \$11, \$11 and \$12, respectively, all of which were reflected in Cost of products sold or discontinued operations, as appropriate, in the consolidated statements of earnings.

Selling and Administrative Expenses

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

Advertising and Research and Development Costs

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

Income Taxes

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

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

Foreign Currency Transactions and Translation

Local currencies are the functional currencies for substantially all of the Company's foreign operations. When the transactional currency is different than the functional currency, transaction gains and losses are included as a component of Other (income) expense, net. In addition, certain assets and liabilities denominated in currencies different than a foreign subsidiary's functional currency are reported on the subsidiary's books in its functional currency, with the impact from exchange rate differences recorded in Other (income) expense, net. Assets and liabilities of foreign operations are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, while income and expenses are translated at the average monthly exchange rates during the year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on foreign currency translations are reported as a component of Other comprehensive income (loss). Deferred taxes are not provided on cumulative translation adjustments where the Company expects earnings of a foreign subsidiary to be indefinitely reinvested. The income tax effect of currency translation adjustments related to foreign subsidiaries and joint ventures for which earnings are not considered indefinitely reinvested is recorded as a component of deferred taxes with an offset to Other comprehensive income (loss).

Derivative Instruments

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

The changes in the fair value (i.e., gains or losses) of a derivative instrument are recorded as either assets or liabilities in the consolidated balance sheets with an offset to net earnings or Other comprehensive income (loss) depending on whether, for accounting purposes, it has been designated and qualifies as an accounting hedge and, if so, on the type of hedging relationship. The criteria used to determine if hedge accounting treatment is appropriate are: (a) formal designation and documentation of the hedging relationship, the risk management objective and hedging strategy at hedge inception; (b) eligibility of hedged items, transactions and corresponding hedging instrument; and (c) effectiveness of the hedging relationship both at inception of the hedge and on an ongoing basis in achieving the hedging objectives. For those derivative instruments designated and qualifying as hedging instruments, the Company must designate the hedging instrument either as a fair value hedge or as a cash flow hedge. The Company designates its commodity forward and future contracts for forecasted purchases of raw materials, interest rate forward contracts for forecasted interest payments, and foreign currency forward contracts for forecasted purchases of inventory as cash flow hedges. During the fiscal years ended June 30, 2016, 2015 and 2014, the Company had no hedging instruments designated as fair value hedges.

For derivative instruments designated and qualifying as cash flow hedges, the effective portion of gains or losses is reported as a component of Other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. From time to time, the Company may have contracts not designated as hedges for accounting purposes, for which it recognizes changes in the fair value in the consolidated statement of earnings in the current period. Cash flows from hedging activities are classified as operating activities in the consolidated statements of cash flows.

Recently Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for share-based payment transactions, including requiring excess tax benefits and deficiencies to be recognized as income tax benefit or expense in the consolidated statement of earnings and excess tax benefits and deficiencies to be classified as an operating activity in the consolidated statement of cash flows. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2018, with early adoption permitted. The Company is planning to adopt the standard in the first quarter of fiscal year 2017. While the actual benefit realized may vary significantly given the inherent uncertainty in predicting future share-based transactions, the Company currently estimates that the adoption will result in approximately a 4 percentage point benefit to the Company's historical effective tax rate of 34% to 35% for fiscal year 2017.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation will depend on classification as a finance or operating lease. ASU 2016-02 also requires expanded disclosures about leasing arrangements. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact that adoption of this guidance will have on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires all deferred tax liabilities and assets to be classified as noncurrent. The Company adopted the standard in the fourth quarter of fiscal year 2016 on a prospective basis as permitted. Prior period balances have not been retrospectively adjusted.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Simplifying the Presentation of Debt Issuance Cost," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2017, with early adoption permitted. The Company does not expect the adoption of this guidance will have a significant impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis," which changes the guidance for evaluating whether to consolidate certain legal entities. The amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2017, with early adoption permitted. The Company does not expect the adoption of this guidance will have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which replaces most existing U.S. GAAP revenue recognition guidance and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers, including information about significant judgments and changes in judgments. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2019, with the option to early adopt in the first quarter of fiscal year 2018. The Company is currently evaluating the impact that adoption of this guidance will have on its consolidated financial statements.

NOTE 2. DISCONTINUED OPERATIONS

On September 22, 2014, Clorox Venezuela announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. Since fiscal year 2012, Clorox Venezuela was required to sell more than two thirds of its products at prices frozen by the Venezuelan government. During this same period, Clorox Venezuela experienced successive years of hyperinflation resulting in significant sustained increases in its input costs, including packaging, raw materials, transportation and wages. As a result, Clorox Venezuela had been selling its products at a loss, resulting in ongoing operating losses. Clorox Venezuela repeatedly met with government authorities in an effort to help them understand the rapidly declining state of the business, including the need for immediate, significant and ongoing price increases and other critical remedial actions to address these adverse impacts. Based on the Venezuelan government's representations, Clorox Venezuela had expected significant price increases would be forthcoming much earlier; however, the price increases subsequently approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss into the foreseeable future. As such, Clorox Venezuela was no longer financially viable and was forced to discontinue its operations.

On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the Santa Lucía and Guacara production facilities of Clorox Venezuela. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business of Clorox Venezuela, thereby reaffirming the government's expropriation of Clorox Venezuela's assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at Clorox Venezuela plants. He also announced his approval of a financial credit to invest in raw materials and production at the plants. These actions by the Venezuelan government were taken without the consent or involvement of Clorox Venezuela, its parent Clorox Spain S.L. (Clorox Spain) or any of their affiliates. Clorox Venezuela, Clorox Spain and their affiliates reserved their rights under all applicable laws and treaties.

With this exit, the financial results of Clorox Venezuela are reflected as discontinued operations in the Company's consolidated financial statements. The results of Clorox Venezuela have historically been part of the International reportable segment.

Net sales for Clorox Venezuela were \$0, \$11 and \$77 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

NOTE 2. DISCONTINUED OPERATIONS (Continued)

The following table provides a summary of gains (losses) from discontinued operations for Clorox Venezuela and gains (losses) from discontinued operations other than Clorox Venezuela for the years ended June 30:

	2016	2015	2014
Operating losses from Clorox Venezuela before income taxes	\$ -	\$ (6)	\$ (23)
Exit costs and other related expenses for Clorox Venezuela	(2)	(78)	-
Total losses from Clorox Venezuela before income taxes	(2)	(84)	(23)
Income tax benefit attributable to Clorox Venezuela	2	29	6
Total losses from Clorox Venezuela, net of tax	-	(55)	(17)
Gains (losses) from discontinued operations other than Clorox Venezuela, net of tax	-	29	(4)
Losses from discontinued operations, net of tax	\$ -	\$ (26)	\$ (21)

Unrelated to Clorox Venezuela, in the fiscal year ended June 30, 2015, \$32 of gross unrecognized tax benefits relating to other discontinued operations for periods prior to fiscal year 2015 were recognized upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flow or earnings from continuing operations for the fiscal years ended June 30, 2015 and 2014. (See Note 18)

Summary of Operating Losses, Asset Charges and Other Costs

The following provides a breakdown of (losses) gains from discontinued operations for Clorox Venezuela and gains from discontinued operations other than Clorox Venezuela for the fiscal years ended June 30:

	2016	2015
Operating losses from Clorox Venezuela before income taxes	\$ -	\$ (6)
Net asset charges:		
Inventories	-	(11)
Property, plant and equipment	-	(16)
Trademark and other intangible assets	-	(6)
Other assets	-	(2)
Other exit and business termination costs:		
Severance	-	(3)
Recognition of deferred foreign currency translation loss	-	(30)
Other	(2)	(10)
Total losses from Clorox Venezuela before income taxes	(2)	(84)
Income tax benefit attributable to Clorox Venezuela	2	29
Total losses from Clorox Venezuela, net of tax	-	(55)
Gains from discontinued operations other than Clorox Venezuela, net of tax	-	29
Losses from discontinued operations, net of tax	\$ -	\$ (26)

NOTE 2. DISCONTINUED OPERATIONS (Continued)

Prior to Clorox Venezuela being consolidated under the rules governing the preparation of financial statements in a highly inflationary economy, cumulative translation gains (losses) were included as a component of Accumulated other comprehensive net (losses) income. The charge of \$30 to discontinued operations in September 2014 represents the recognition of these losses as a result of Clorox Venezuela discontinuing its operations effective September 22, 2014.

Financial Reporting: Hyperinflation and the Selection of Exchange Rates

Due to a sustained inflationary environment, the financial statements of Clorox Venezuela are consolidated under the rules governing the preparation of financial statements in a highly inflationary economy. As such, Clorox Venezuela's non-U.S. dollar (non-USD) monetary assets and liabilities were remeasured into U.S. dollars (USD) each reporting period with the resulting gains and losses now reflected in discontinued operations.

Subsequent to Clorox Venezuela discontinuing operations in September 2014, the Venezuelan government has continued to evolve its currency exchange mechanisms; however, these changes have not had a material impact on the Company's financial results because the balance of net bolivar assets and liabilities on the local books of Clorox Venezuela was \$0 as of both June 30, 2016 and 2015. As of June 30, 2016 and 2015, the local books of Clorox Venezuela carried a net asset position of \$0. In addition, as of June 30, 2016 and 2015, the Company held \$0 and \$13, respectively, of tax asset balances related to Clorox Venezuela in Corporate in the reconciliation of the results of the Company's reportable segments to consolidated results.

NOTE 3. BUSINESSES ACQUIRED

On May 2, 2016, the Company acquired 100 percent of ReNew Life Holdings Corporation (Renew Life), a leading brand in digestive health. The amount paid was \$290 funded through commercial paper. The amount paid of \$290 represents the aggregate purchase price less cash acquired. The purchase of the Renew Life business reflects the Company's strategy to acquire leading brands with attractive margins in growth categories. Results for Renew Life's U.S. business are reflected in the Household reportable segment and results for Renew Life's international business are reflected in the International reportable segment. Included in the Company's results for fiscal year 2016 was \$21 of Renew Life's global net sales.

The assets and liabilities of Renew Life were recorded at their respective estimated fair values as of the date of the acquisition using generally accepted accounting principles for business combinations. The excess of the purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill. Goodwill recorded primarily reflects the value of expanding the Company's portfolio further into the health and wellness arena.

NOTE 3. BUSINESSES ACQUIRED (Continued)

The following table summarizes the estimated fair values of Renew Life's assets acquired and liabilities assumed and related deferred income taxes as of the acquisition date. Due to the timing of the acquisition, the fair value of the assets acquired and liabilities assumed are based on a preliminary valuation and the Company's estimates and assumptions are subject to change within the measurement period. The primary areas of the purchase price that are not yet finalized are related to goodwill and income taxes. The weighted-average estimated useful life of intangible assets subject to amortization is 15 years.

	<u>2016</u>
	<u>Renew Life</u>
Goodwill	\$ 137
Trademarks	134
Customer relationships	36
Property, plant and equipment	3
Working capital, net	41
Deferred income taxes	(61)
Purchase Price	<u>\$ 290</u>

Pro forma results reflecting the acquisition were not presented because the acquisition did not meet the threshold requirements for additional disclosure.

NOTE 4. INVENTORIES

Inventories consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Finished goods	\$ 361	\$ 316
Raw materials and packaging	111	101
Work in process	3	3
LIFO allowances	(32)	(35)
Total	<u>\$ 443</u>	<u>\$ 385</u>

The last-in, first-out (LIFO) method was used to value approximately 38% of inventories as of June 30, 2016 and 2015, respectively. The carrying values for all other inventories are determined on the first-in, first-out (FIFO) method. The effect on earnings of the liquidation of LIFO layers was a benefit of \$0, \$0 and \$2 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

NOTE 5. OTHER CURRENT ASSETS

Other current assets consisted of the following as of June 30:

	2016	2015
Deferred tax assets ^(a)	\$ -	\$ 99
Prepaid expenses	70	39
Other	2	5
Total	<u>\$ 72</u>	<u>\$ 143</u>

^(a) The Company prospectively adopted ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," requiring all deferred tax assets and liabilities to be classified as noncurrent. See Note 1 and 18 for further details.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net, consisted of the following as of June 30:

	2016	2015
Machinery and equipment	\$ 1,607	\$ 1,608
Buildings	524	515
Capitalized software costs	368	371
Land and improvements	118	122
Construction in progress	112	65
Computer equipment	88	76
	<u>2,817</u>	<u>2,757</u>
Less: Accumulated depreciation and amortization	(1,911)	(1,839)
Total	<u>\$ 906</u>	<u>\$ 918</u>

Included in Machinery and equipment above are \$12 of capital leases as of June 30, 2016 and 2015, respectively. Accumulated depreciation for assets under capital leases was \$3 and \$2 as of June 30, 2016 and 2015, respectively.

Included in Land and improvements above are \$3 and \$2 of asset retirement obligations as of June 30, 2016 and 2015, respectively, for two leased properties. The liability of \$1 and \$2 incurred in fiscal year 2016 and 2015, respectively, was recorded in Other liabilities.

Depreciation and amortization expense related to property, plant and equipment, net, was \$157, \$157 and \$161 in fiscal years 2016, 2015 and 2014, respectively, which includes depreciation of assets under capital leases. This also includes amortization of capitalized software of \$16, \$19 and \$22 in fiscal years 2016, 2015 and 2014, respectively.

Non-cash capital expenditures were \$10, \$18 and \$0 in fiscal years 2016, 2015 and 2014, respectively.

NOTE 7. GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable segment for the fiscal years ended June 30, 2016 and 2015 were as follows:

	Goodwill				
	Cleaning	Lifestyle	Household	International	Total
Balance June 30, 2014	\$ 323	\$ 244	\$ 85	\$ 449	\$ 1,101
Effect of foreign currency translation	-	-	-	(34)	(34)
Balance June 30, 2015	323	244	85	415	1,067
Acquisition	-	-	122	15	137
Effect of foreign currency translation	-	-	-	(7)	(7)
Balance June 30, 2016	\$ 323	\$ 244	\$ 207	\$ 423	\$ 1,197

The changes in the carrying amount of trademarks and other intangible assets for the fiscal years ended June 30 were as follows:

	As of June 30, 2016			As of June 30, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trademarks not subject to amortization	\$ 647	\$ -	\$ 647	\$ 524	\$ -	\$ 524
Trademarks subject to amortization	32	22	10	33	22	11
Other intangible assets:						
Technology and product formulae	137	134	3	137	133	4
Other	221	146	75	188	142	46
Total	\$ 1,037	\$ 302	\$ 735	\$ 882	\$ 297	\$ 585

Finite-lived intangible assets are amortized over their estimated useful lives, generally ranging from 2 to 30 years. Amortization expense relating to the Company's intangible assets was \$8, \$12 and \$15 for the years ended June 30, 2016, 2015 and 2014, respectively. Estimated amortization expense for these intangible assets is \$10, \$9, \$9, \$9 and \$8 for fiscal years 2017, 2018, 2019, 2020 and 2021, respectively.

During fiscal year 2016, the Company recognized \$9 of intangible asset impairment charges, of which \$6 related to the Aplicare[®] trademark within the Cleaning segment. The Aplicare[®] trademark impairment was recognized based on the anticipated impact on future results from a competitive market entrant.

NOTE 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30:

	2016	2015
Accounts payable	\$ 490	\$ 431
Compensation and employee benefit costs	192	189
Trade and sales promotion	127	115
Dividends	108	103
Other	118	141
Total ^(a)	\$ 1,035	\$ 979

^(a) Accounts payable and accrued liabilities were combined into one financial statement line as of June 30, 2016. The change has been retrospectively applied to all periods presented.

NOTE 9. DEBT

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

	2016	2015
Commercial paper	\$ 522	\$ 93
Foreign borrowings	1	2
Total	\$ 523	\$ 95

The weighted average interest rates incurred on average outstanding notes and loans payable during the fiscal years ended June 30, 2016, 2015 and 2014, including fees associated with the Company's undrawn revolving credit facility, were 1.10%, 2.05% and 0.97%, respectively. The weighted average effective interest rates on commercial paper balances as of June 30, 2016 and 2015 were 0.82% and 0.39%, respectively.

Long-term debt, carried at face value net of unamortized discounts or premiums, included the following as of June 30:

	2016	2015
Senior unsecured notes and debentures:		
3.55%, \$300 due November 2015	-	300
5.95%, \$400 due October 2017	400	399
3.80%, \$300 due November 2021	298	298
3.05%, \$600 due September 2022	599	599
3.50%, \$500 due December 2024	500	500
Total	1,797	2,096
Less: Current maturities of long-term debt	-	(300)
Long-term debt	\$ 1,797	\$ 1,796

The weighted average interest rates incurred on average outstanding long-term debt during the fiscal years ended June 30, 2016, 2015 and 2014, were 4.37%, 4.44% and 4.56%, respectively. The weighted average effective interest rates on long-term debt balances as of June 30, 2016 and 2015, were 4.41% and 4.31%, respectively.

Long-term debt maturities as of June 30, 2016, are \$0, \$400, \$0, \$0, \$0 and \$1,400 in fiscal years 2017, 2018, 2019, 2020, 2021 and thereafter, respectively.

In November 2015, \$300 of the Company's senior notes with an annual fixed interest rate of 3.55% became due and were repaid using commercial paper borrowings and cash on hand.

NOTE 9. DEBT (continued)

In December 2014, under a shelf registration statement filed with the SEC that will expire in December 2017, the Company issued \$500 of senior notes with an annual fixed interest rate of 3.50%. Interest on the notes is payable semi-annually in June and December and the notes have a maturity date of December 15, 2024. The notes carry an effective interest rate of 4.10%, which includes the impact from the settlement of interest rate forward contracts in December 2014 (see Note 11). The notes rank equally with all of the Company's existing senior indebtedness. In January 2015, \$575 of the Company's senior notes with an annual fixed interest rate of 5.00% became due and were repaid using the net proceeds from the December 2014 debt issuance and commercial paper borrowings.

The Company's borrowing capacity under other financing arrangements as of June 30 was as follows:

	2016	2015
Revolving credit facility	\$ 1,100	\$ 1,100
Foreign credit lines	10	11
Other credit lines	18	18
Total	<u>\$ 1,128</u>	<u>\$ 1,129</u>

As of June 30, 2016, the Company had a \$1,100 revolving credit agreement (the Credit Agreement), which expires in October 2019. There were no borrowings under the Credit Agreement as of June 30, 2016 or 2015. The agreement includes certain restrictive covenants and limitations, with which the Company was in compliance as of June 30, 2016.

Of the \$28 of foreign and other credit lines as of June 30, 2016, \$5 was outstanding and the remainder of \$23 was available for borrowing. Of the \$29 of foreign and other credit lines as of June 30, 2015, \$4 was outstanding and the remainder of \$25 was available for borrowing.

NOTE 10. OTHER LIABILITIES

Other liabilities consisted of the following as of June 30:

	2016	2015
Employee benefit obligations	\$ 335	\$ 299
Venture agreement terminal obligation, net	302	294
Taxes	40	38
Other	107	119
Total	<u>\$ 784</u>	<u>\$ 750</u>

Venture Agreement

The Company has an agreement with The Procter & Gamble Company (P&G) for the Company's Glad[®] bags, wraps and containers business. As of June 30, 2016 and 2015, P&G had a 20% interest in the venture. The Company pays a royalty to P&G for its interest in the profits, losses and cash flows, as contractually defined, of the Glad[®] business, which is included in Cost of products sold. The agreement with P&G will expire in January 2023 unless the parties decide, on or prior to January 2018, to extend the term of the agreement for another 10 years. The agreement can be terminated under certain circumstances, including at P&G's option upon a change in control of the Company or, at either party's option, upon the sale of the Glad[®] business by the Company.

Upon termination of the agreement, the Company is required to purchase P&G's interest for cash at fair value as established by predetermined valuation procedures. As of June 30, 2016, the estimated fair value of P&G's interest was \$448, of which \$302 has been recognized and is reflected in Other liabilities as noted in the table above. The difference between the estimated fair value and the amount recognized, and any future changes in the fair value of P&G's interest, is charged to Cost of products sold on a straight-line basis over the remaining life of the agreement. Following termination, the Glad[®] business will retain the exclusive core intellectual property licenses contributed by P&G on a royalty-free basis for the licensed products marketed.

NOTE 10. OTHER LIABILITIES (continued)**Deferred Gain on Sale-leaseback Transaction**

In December 2012, the Company completed a sale-leaseback transaction under which it sold its general office building in Oakland, CA to an unrelated third party for net proceeds of \$108 and entered into a 15-year operating lease agreement with renewal options with the buyer for a portion of the building. The Company deferred recognition of the portion of the total gain on the sale that was equivalent to the present value of the lease payments and will continue to amortize such amount to earnings ratably over the lease term. As of June 30, 2016 and 2015, the long-term portion of the deferred gain of \$36 and \$40, respectively, was included in Other in the table above.

NOTE 11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets are required to be classified and disclosed in one of the following three categories of the fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

As of June 30, 2016 and 2015, the Company's financial assets and liabilities that were measured at fair value on a recurring basis during the period included derivative financial instruments, which were classified as either Level 1 or Level 2, and trust assets to fund certain of the Company's nonqualified deferred compensation plans, which were classified as Level 1.

Financial Risk Management and Derivative Instruments

The Company is exposed to certain commodity, foreign currency and interest rate risks related to its ongoing business operations and uses derivative instruments to mitigate its exposure to these risks.

Commodity Price Risk Management

The Company may use commodity exchange traded futures and over-the-counter swap contracts, which are generally no longer than 2 years, to fix the price of a portion of its forecasted raw material requirements. Commodity purchase contracts are measured at fair value using market quotations obtained from commodity derivative dealers.

As of June 30, 2016, the notional amount of commodity derivatives was \$30, of which \$16 related to jet fuel swaps and \$14 related to soybean oil futures. As of June 30, 2015, the notional amount of commodity derivatives was \$47, of which \$27 related to jet fuel swaps and \$20 related to soybean oil futures.

Foreign Currency Risk Management

The Company may also enter into certain over-the-counter derivative contracts to manage a portion of the Company's forecasted foreign currency exposure associated with the purchase of inventory. These foreign currency contracts generally have durations of no longer than 2 years. The foreign exchange contracts are measured at fair value using information quoted by foreign exchange dealers.

The notional amounts of outstanding foreign currency forward contracts used by the Company's subsidiaries to hedge forecasted purchases of inventory were \$84 and \$105, respectively, as of June 30, 2016 and 2015.

Interest Rate Risk Management

The Company may enter into over-the-counter interest rate forward contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt or to manage the Company's level of fixed and floating rate debt. The interest rate contracts are measured at fair value using information quoted by U.S. government bond dealers.

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

During fiscal year 2015, the Company paid \$25 to settle interest rate forward contracts related to the December 2014 issuance of \$500 in senior notes. The settlement payments are reflected as operating cash flows in the consolidated statements of cash flows for the fiscal year ended June 30, 2015. The loss is reflected in Accumulated other comprehensive net loss on the consolidated balance sheets as of June 30, 2016 and 2015, and is being amortized into Interest expense on the consolidated statements of earnings over the 10-year term of the notes.

The Company had no outstanding interest rate forward contracts as of June 30, 2016 and 2015.

Counterparty Risk Management and Derivative Contract Requirements

The Company utilizes a variety of financial institutions as counterparties for over-the-counter derivative instruments. The Company enters into agreements governing the use of over-the-counter derivative instruments and sets internal limits on the aggregate over-the-counter derivative instrument positions held with each counterparty. Certain terms of these agreements require the Company or the counterparty to post collateral when the fair value of the derivative instruments exceeds contractually defined counterparty liability position limits. Of the derivative instruments of \$5 and \$8 reflected in Accounts payable and accrued liabilities and Other liabilities as of June 30, 2016 and 2015, respectively, \$4 and \$8, respectively, contained such terms. As of both June 30, 2016 and 2015, neither the Company nor any counterparty was required to post any collateral as no counterparty liability position limits were exceeded.

Certain terms of the agreements governing the Company's over-the-counter derivative instruments require the credit ratings, as assigned by Standard & Poor's and Moody's to the Company and its counterparties, to remain at a level equal to or better than the minimum of an investment grade credit rating. If the Company's credit ratings were to fall below investment grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions. As of both June 30, 2016 and 2015, the Company and each of its counterparties had been assigned investment grade ratings by both Standard & Poor's and Moody's.

Certain of the Company's exchange-traded futures contracts used for commodity price risk management include requirements for the Company to post collateral in the form of a cash margin account held by the Company's broker for trades conducted on that exchange. As of June 30, 2016 and 2015, the Company maintained cash margin balances related to exchange-traded futures contracts of \$1 and \$2, respectively, which are classified as Other current assets on the consolidated balance sheets.

Trust Assets

The Company has held interests in mutual funds and cash equivalents as part of trust assets related to certain of its nonqualified deferred compensation plans. The participants, who are the Company's current and former employees, in the deferred compensation plans may select among certain mutual funds in which their compensation deferrals are invested in accordance with the terms of the plan and within the confines of the trusts which hold the marketable securities. The trusts represent variable interest entities for which the Company is considered the primary beneficiary, and therefore, trust assets are consolidated and included in Other assets in the consolidated balance sheets. The interests in mutual funds are measured at fair value using quoted market prices. The Company has designated these marketable securities as trading investments.

The value of the trust assets related to certain of the Company's nonqualified deferred compensation plans increased by \$14 as compared to June 30, 2015, primarily due to current year employees' contributions to these plans.

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

Fair Value of Financial Instruments

The following table summarizes the fair value of Company's assets and liabilities for which disclosure of fair value is required as of June 30:

Assets	Balance sheet classification	Fair value hierarchy level	2016		2015	
			Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Investments including money market funds	Cash and cash equivalents ^(a)	1	\$ 234	\$ 234	\$ 212	\$ 212
Time deposits	Cash and cash equivalents ^(a)	2	79	79	84	84
Commodity purchase derivative contracts	Other current assets	1	1	1	-	-
Foreign exchange derivative contracts	Other current assets	2	1	1	1	1
Commodity purchase derivative contracts	Other assets	2	1	1	-	-
Trust assets for nonqualified deferred compensation plans	Other assets	1	52	52	38	38
			<u>\$ 368</u>	<u>\$ 368</u>	<u>\$ 335</u>	<u>\$ 335</u>
Liabilities						
Notes and loans payable	Notes and loans payable ^(b)	2	\$ 523	\$ 523	\$ 95	\$ 95
Commodity purchase derivative contracts	Accounts payable and accrued liabilities	2	1	1	8	8
Foreign exchange derivative contracts	Accounts payable and accrued liabilities	2	4	4	-	-
Current maturities of long-term debt and Long-term debt	Current maturities of long-term debt and Long-term debt ^(c)	2	1,797	1,922	2,096	2,137
			<u>\$ 2,325</u>	<u>\$ 2,450</u>	<u>\$ 2,199</u>	<u>\$ 2,240</u>

(a) Cash and cash equivalents are composed of time deposits and other interest bearing investments including money market funds with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value.

(b) Notes and loan payable is composed of U.S. commercial paper and/or other similar short-term debts issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(c) Current maturities of long-term debt and Long-term debt are recorded at cost. The fair value of Long-term debt, including current maturities, was determined using secondary market prices quoted by corporate bond dealers, and is classified as Level 2.

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

The Company designates its commodity forward and future contracts for forecasted purchases of raw materials, interest rate forward contracts for forecasted interest payments, and foreign currency forward contracts for forecasted purchases of inventory as cash flow hedges.

The effects of derivative instruments designated as hedging instruments on Other comprehensive income (loss) and net earnings were as follows during the fiscal years ended June 30:

	Gains (losses) recognized in other comprehensive net loss		
	2016	2015	2014
Commodity purchase derivative contracts	\$ (4)	\$ (13)	\$ 2
Interest rate derivative contracts	-	(12)	(13)
Foreign exchange derivative contracts	(3)	7	(3)
Total	<u>\$ (7)</u>	<u>\$ (18)</u>	<u>\$ (14)</u>

	Gains (losses) reclassified from accumulated other comprehensive net loss and recognized in net earnings		
	2016	2015	2014
Commodity purchase derivative contracts	\$ (13)	\$ (5)	\$ -
Interest rate derivative contracts	(6)	(5)	(4)
Foreign exchange derivative contracts	1	3	4
Total	<u>\$ (18)</u>	<u>\$ (7)</u>	<u>\$ -</u>

The gains (losses) reclassified from Accumulated other comprehensive net (losses) income and recognized in earnings during the fiscal years ended June 30, 2016, 2015 and 2014, for commodity purchase and foreign exchange contracts were included in Cost of products sold, and for interest rate contracts were included in Interest expense.

The estimated amount of the existing net gain (loss) in Accumulated other comprehensive net (losses) income as of June 30, 2016, which is expected to be reclassified into earnings within the next twelve months, is \$(11). Gains and losses on derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in the consolidated statement of earnings. During each of the fiscal years ended June 30, 2016, 2015 and 2014, hedge ineffectiveness was not significant.

NOTE 12. OTHER CONTINGENCIES AND GUARANTEES

Contingencies

The Company is involved in certain environmental matters, including response actions at various locations. The Company had a recorded liability of \$14 and \$12 as of June 30, 2016 and 2015, respectively, for its share of aggregate future remediation costs related to these matters. One matter in Dickinson County, Michigan, for which the Company is jointly and severally liable, accounted for a substantial majority of the recorded liability as of both June 30, 2016 and 2015. The Company has agreed to be liable for 24.3% of the aggregate remediation and associated costs for this matter pursuant to a cost-sharing arrangement with a third party. With the assistance of environmental consultants, the Company maintains an undiscounted liability representing its current best estimate of its share of the capital expenditures, maintenance and other costs that may be incurred over an estimated 30-year remediation period. Currently, the Company cannot accurately predict the timing of future payments that may be made under this 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 future availability of alternative clean-up technologies. Although it is reasonably possible that the Company's exposure may exceed the amount recorded, any amount of such additional exposures, or range of exposures, is not estimable at this time.

The Company is subject to various legal proceedings, claims and other loss contingencies, including, without limitation, loss contingencies relating to contractual arrangements, product liability, patents and trademarks, advertising, labor and employment, environmental, health and safety and other matters. With respect to these proceedings, claims and other loss contingencies, while considerable uncertainty exists, in the opinion of management at this time, the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, either individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

Guarantees

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any material payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, either individually or in the aggregate, on the Company's consolidated financial statements taken as a whole.

The Company had not recorded any liabilities on the aforementioned indemnifications as of June 30, 2016 and 2015.

The Company was a party to letters of credit of \$10 and \$11 as of June 30, 2016 and 2015, respectively, primarily related to one of its insurance carriers, of which \$0 had been drawn upon.

NOTE 13. LEASES AND OTHER COMMITMENTS

The Company leases various property, plant, and equipment including office, warehousing, and manufacturing facilities, in addition to certain manufacturing and information technology equipment. The Company expects that, in the normal course of business, existing contracts will be renewed or replaced by other leases. Rental expense for all operating leases was \$77, \$76 and \$71 in fiscal years 2016, 2015 and 2014, respectively.

NOTE 13. LEASES AND OTHER COMMITMENTS (Continued)

The future minimum annual lease commitments required under the Company's existing non-cancelable operating and capital lease agreements as of June 30, 2016, were as follows:

Year	Operating leases	Capital leases
2017	\$ 49	\$ 3
2018	45	2
2019	38	1
2020	32	-
2021	29	-
Thereafter	135	-
Total	\$ 328	\$ 6

The Company is also a party to certain purchase obligations, which are defined as purchase agreements that are enforceable and legally binding and that contain specified or determinable significant terms, including quantity, price and the approximate timing of the transaction. Examples of the Company's purchase obligations include contracts to purchase raw materials, commitments to contract manufacturers, commitments for information technology and related services, advertising contracts, capital expenditure agreements, software acquisition and license commitments and service contracts. The Company enters into purchase obligations based on expectations of future business needs. For purchase obligations subject to variable price and/or quantity provisions, an estimate of the price and/or quantity has been made. Many of these purchase obligations are short term in nature and are flexible to allow for changes in the Company's business and related requirements. As of June 30, 2016, the Company's purchase obligations were as follows:

Year	Purchase Obligations
2017	\$ 150
2018	54
2019	37
2020	12
2021	2
Thereafter	1
Total	\$ 256

NOTE 14. STOCKHOLDERS' EQUITY

The Company has two share repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to \$750, all of which was available for share repurchases as of both June 30, 2016 and 2015, and a program to offset the anticipated impact of share dilution related to share-based awards (the Evergreen Program), which has no authorization limit as to amount or timing of repurchases.

Share repurchases under authorized programs were as follows during the fiscal years ended June 30:

	2016		2015		2014	
	Amount	Shares (in 000's)	Amount	Shares (in 000's)	Amount	Shares (in 000's)
Open-market purchase programs	\$ -	-	\$ -	-	\$ -	-
Evergreen Program	254	2,151	434	4,016	260	3,046
Total	\$ 254	2,151	\$ 434	4,016	\$ 260	3,046

NOTE 14. STOCKHOLDERS' EQUITY (Continued)

Dividends per share declared and paid, respectively, during the fiscal years ended June 30 were as follows:

	2016	2015	2014
Dividends per share declared	\$ 3.11	\$ 2.99	\$ 2.87
Dividends per share paid	3.08	2.96	2.84

Accumulated Other Comprehensive Net (Losses) Income

Changes in Accumulated other comprehensive net (losses) income by component were as follows for the fiscal years ended June 30:

	Foreign currency adjustments	Net unrealized gains (losses) on derivatives	Pension and postretirement benefit adjustments	Accumulated Other Comprehensive Income
Balance June 30, 2013	\$ (209)	\$ (30)	\$ (128)	\$ (367)
Other comprehensive (loss) income before reclassifications	(26)	(15)	(16)	(57)
Amounts reclassified from accumulated other comprehensive net losses	-	-	8	8
Income tax benefit (expense)	(11)	6	4	(1)
Net current period other comprehensive income (loss)	(37)	(9)	(4)	(50)
Balance June 30, 2014	(246)	(39)	(132)	(417)
Other comprehensive (loss) income before reclassifications	(92)	(18)	(29)	(139)
Amounts reclassified from accumulated other comprehensive net losses	-	7	-	7
Recognition of deferred foreign currency translation loss	30	-	-	30
Income tax benefit (expense)	8	(3)	12	17
Net current period other comprehensive income (loss)	(54)	(14)	(17)	(85)
Balance June 30, 2015	(300)	(53)	(149)	(502)
Other comprehensive (loss) income before reclassifications	(43)	(7)	(38)	(88)
Amounts reclassified from accumulated other comprehensive net losses	-	18	-	18
Income tax benefit (expense)	(10)	(2)	14	2
Net current period other comprehensive income (loss)	(53)	9	(24)	(68)
Balance June 30, 2016	\$ (353)	\$ (44)	\$ (173)	\$ (570)

Included in foreign currency adjustments are re-measurement losses on long-term intercompany loans where settlement is not planned or anticipated in the foreseeable future. For the fiscal years ended June 30, 2016, 2015 and 2014, Other comprehensive losses on these loans totaled \$14, \$9 and \$12, respectively, and there were no amounts reclassified from Accumulated other comprehensive net (losses) income.

Pension and postretirement benefit reclassification adjustments are reflected in Cost of products sold, Selling and administrative expenses and Research and development costs.

NOTE 15. NET EARNINGS PER SHARE (EPS)

The following is the reconciliation of the weighted average number of shares outstanding (in thousands) used to calculate basic net EPS to those used to calculate diluted net EPS for the fiscal years ended June 30:

	2016	2015	2014
Basic	129,472	130,310	129,558
Dilutive effect of stock options and other	2,245	2,466	2,184
Diluted	<u>131,717</u>	<u>132,776</u>	<u>131,742</u>
Antidilutive stock options and other	<u>42</u>	<u>23</u>	<u>-</u>

NOTE 16. STOCK-BASED COMPENSATION PLANS

In November 2012, the Company's stockholders voted to approve the amended and restated 2005 Stock Incentive Plan (the Plan). The Plan permits the Company to grant various nonqualified stock-based compensation awards, including stock options, restricted stock, performance units, deferred stock units, stock appreciation rights and other stock-based awards. The primary amendment reflected in the Plan was an increase of approximately 3 million common shares that may be issued for stock-based compensation purposes. As of June 30, 2016, the Company is authorized to grant up to approximately 8 million common shares under the Plan, and, as of June 30, 2016, approximately 8 million common shares were available for grant.

Compensation cost and the related income tax benefit recognized for stock-based compensation plans were classified as indicated below for the fiscal years ended June 30:

	2016	2015	2014
Cost of products sold	\$ 6	\$ 4	\$ 4
Selling and administrative expenses	35	25	29
Research and development costs	4	3	3
Total compensation cost	<u>\$ 45</u>	<u>\$ 32</u>	<u>\$ 36</u>
Related income tax benefit	\$ 17	\$ 12	\$ 13

Cash received during fiscal years 2016, 2015 and 2014 from stock options exercised under all stock-based payment arrangements was \$180, \$230 and \$86, respectively. The Company issues shares for stock-based compensation plans from treasury stock. The Company may repurchase shares under its Evergreen Program to offset the estimated impact of share dilution related to stock-based awards (see Note 14).

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

Stock Options

The fair value of each stock option award granted during fiscal years 2016, 2015 and 2014 was estimated on the date of grant using the Black-Scholes valuation model and assumptions noted in the following table:

	2016	2015	2014
Expected life	5.6 years	5.6 to 5.8 years	5.7 years
Weighted-average expected life	5.6 years	5.7 years	5.7 years
Expected volatility	16.43% to 17.3%	16.3% to 18.6%	18.4% to 18.5%
Weighted-average volatility	17.2%	16.6%	18.5%
Risk-free interest rate	1.3% to 1.7%	1.4% to 2.0%	1.8% to 1.9%
Weighted-average risk-free interest rate	1.7%	1.9%	1.8%
Dividend yield	2.5% to 2.8%	2.8% to 3.4%	3.4%
Weighted-average dividend yield	2.8%	3.3%	3.4%

NOTE 16. STOCK-BASED COMPENSATION PLANS (Continued)

The expected life of the stock options is based on observed historical exercise patterns. The expected volatility is based on implied volatility from publicly traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly traded options and other factors. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

Details of the Company's stock option activities are summarized below:

	Number of Shares (In thousands)	Weighted- Average Exercise Price per Share	Average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding as of June 30, 2015	8,357	\$ 76	7 years	\$ 236
Granted	1,317	112		
Exercised	(2,633)	69		
Cancelled	(214)	95		
Options outstanding as of June 30, 2016	<u>6,827</u>	\$ 85	7 years	\$ 366
Options vested as of June 30, 2016	3,555	\$ 74	5 years	\$ 228

The weighted-average fair value per share of each option granted during fiscal years 2016, 2015 and 2014, estimated at the grant date using the Black-Scholes option pricing model was \$13.21, \$9.65 and \$9.69, respectively. The total intrinsic value of options exercised in fiscal years 2016, 2015 and 2014 was \$142, \$140 and \$42, respectively.

Stock option awards outstanding as of June 30, 2016, have been granted at prices that are equal to the market value of the stock on the date of grant. Stock option grants generally vest over four years and expire no later than ten years after the grant date. The Company recognizes compensation expense ratably over the vesting period. As of June 30, 2016, there was \$16 of total unrecognized compensation cost related to non-vested options, which is expected to be recognized over a remaining weighted-average vesting period of one year, subject to forfeiture changes.

Restricted Stock Awards

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

As of June 30, 2016, there was \$1 of total unrecognized compensation cost related to non-vested restricted stock awards, which is expected to be recognized over a remaining weighted-average vesting period of one year. The total fair value of the shares that vested in each of the fiscal years 2016, 2015 and 2014 was \$1, respectively. The weighted-average grant-date fair value of awards granted was \$128.91, \$95.67 and \$89.25 per share for fiscal years 2016, 2015 and 2014, respectively.

NOTE 16. STOCK-BASED COMPENSATION PLANS (Continued)

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

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Restricted stock awards as of June 30, 2015	18	\$ 91
Granted	5	129
Vested	(9)	88
Forfeited	(1)	106
Restricted stock awards as of June 30, 2016	<u>13</u>	<u>\$ 108</u>

Performance Units

As of June 30, 2016, there was \$37 in unrecognized compensation cost related to non-vested performance unit grants that is expected to be recognized over a remaining weighted-average performance period of one year. The weighted-average grant-date fair value of awards granted was \$92.35, \$89.75 and \$84.45 per share for fiscal years 2016, 2015 and 2014, respectively.

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

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value per Share
Performance unit awards as of June 30, 2015	1,123	\$ 79
Granted	286	92
Distributed	(377)	70
Forfeited	(80)	87
Performance unit awards as of June 30, 2016	<u>952</u>	<u>\$ 90</u>
Performance units vested and deferred as of June 30, 2016	157	\$ 58

The non-vested performance units outstanding as of June 30, 2016 and 2015 were 794,000 and 944,000, respectively, and the weighted average grant date fair value was \$95.18 and \$81.92 per share, respectively. Total shares vested during fiscal year 2016 were 354,000, which had a weighted average grant date fair value per share of \$72.11. During fiscal year 2016, \$25 of the vested awards was paid by the issuance of shares and \$1 of the vested awards was deferred. Deferred shares continue to earn dividends, which are also deferred. The total fair value of shares vested was \$26, \$24 and \$0 during fiscal years 2016, 2015 and 2014, respectively. Upon vesting, the recipients of the grants receive the distribution as shares or, if previously elected by eligible recipients, as deferred stock.

Deferred Stock Units for Nonemployee Directors

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

During fiscal year 2016, the Company granted 13,000 deferred stock units, reinvested dividends of 6,000 units and distributed 16,000 shares, which had a weighted-average fair value on grant date of \$126.65, \$124.03 and \$62.70 per share, respectively. As of June 30, 2016, 244,000 units were outstanding, which had a weighted-average fair value on the grant date of \$71.13 per share.

NOTE 17. OTHER (INCOME) EXPENSE, NET

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

	2016	2015	2014
Income from equity investees	\$ (15)	\$ (14)	\$ (13)
Interest income	(5)	(4)	(3)
Low income housing partnership gains, net	-	(13)	-
Foreign exchange transaction losses, net	1	9	1
Amortization of trademarks and other intangible assets	8	8	8
Intangible asset impairment charges	9	3	3
Other	(5)	(2)	(6)
Total	<u>\$ (7)</u>	<u>\$ (13)</u>	<u>\$ (10)</u>

In April 2016, the Company sold its Los Angeles bleach manufacturing facility, previously reported in the Cleaning segment, which resulted in \$20 in cash proceeds from investing activities and a gain of \$(11) included in Other in the table above for the year ended June 30, 2016.

During fiscal year 2016, the Company recognized \$9 of intangible asset impairment charges, of which \$6 related to the Aplicare[®] trademark within the Cleaning segment. The Aplicare[®] trademark impairment was recognized based on the anticipated impact on future results from a competitive market entrant.

Investment in Low-Income Housing Partnerships

The Company owns, directly or indirectly, limited partnership interests in low-income housing partnerships, which are accounted for using the equity method of accounting. These partnerships are considered to be variable interest entities; however, the Company does not consolidate them because it does not have the power to direct the partnerships' activities that significantly impact their economic performance. The purpose of the partnerships is to develop and operate low-income housing rental properties. The general partners, who typically hold 1% of the partnership interests, are third parties unrelated to the Company and its affiliates, and are responsible for controlling and managing the business and financial operations of the partnerships. As a limited partner, the Company is not responsible for any of the liabilities and obligations of the partnerships nor do the partnerships or their creditors have any recourse to the Company other than for the capital requirements. All available tax benefits from low-income housing tax credits provided by the partnerships were claimed as of fiscal year 2012. The risk that previously claimed low-income housing tax credits might be recaptured or otherwise retroactively invalidated is considered remote.

In April 2015, a low-income housing partnership, in which the Company was a limited partner, sold its real estate holdings. The real property sale resulted in \$15 in cash proceeds from investing activities and a gain of \$(14) recorded to Other (income) expense, net, on the consolidated statement of earnings for the year ended June 30, 2015.

NOTE 18. INCOME TAXES

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

	2016	2015	2014
Current			
Federal	\$ 254	\$ 265	\$ 247
State	31	28	34
Foreign	45	38	45
Total current	<u>330</u>	<u>331</u>	<u>326</u>
Deferred			
Federal	11	(13)	(19)
State	1	(1)	2
Foreign	(7)	(2)	(4)
Total deferred	<u>5</u>	<u>(16)</u>	<u>(21)</u>
Total	<u>\$ 335</u>	<u>\$ 315</u>	<u>\$ 305</u>

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

	2016	2015	2014
United States	\$ 900	\$ 829	\$ 754
Foreign	83	92	130
Total	<u>\$ 983</u>	<u>\$ 921</u>	<u>\$ 884</u>

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

	2016	2015	2014
Statutory federal tax rate	35.0%	35.0%	35.0%
State taxes (net of federal tax benefits)	2.1	2.1	2.6
Tax differential on foreign earnings	0.5	(0.3)	(0.3)
Domestic manufacturing deduction	(2.4)	(2.1)	(2.3)
Change in valuation allowance	0.5	0.6	0.6
Other differences	(1.6)	(1.1)	(1.0)
Effective tax rate	<u>34.1%</u>	<u>34.2%</u>	<u>34.6%</u>

Applicable U.S. income taxes and foreign withholding taxes have not been provided on approximately \$216 of undistributed earnings of certain foreign subsidiaries as of June 30, 2016, because these earnings are considered indefinitely reinvested. The estimated net federal income tax liability that could arise if these earnings were not indefinitely reinvested is approximately \$56. Applicable U.S. income and foreign withholding taxes are provided on these earnings in the periods in which they are no longer considered indefinitely reinvested.

Tax benefits resulting from stock-based payment arrangements that are in excess of the tax benefits recorded in net earnings over the vesting period of those arrangements (excess tax benefits) are recorded as increases to Additional paid-in capital. Excess tax benefits of approximately \$51, \$42, and \$11 were realized and recorded to Additional paid-in capital for fiscal years 2016, 2015 and 2014, respectively.

NOTE 18. INCOME TAXES (Continued)

The components of net deferred tax assets (liabilities) as of June 30 are shown below:

	2016	2015
Deferred tax assets ^(a)		
Compensation and benefit programs	\$ 193	\$ 191
Basis difference related to Venture Agreement	30	30
Accruals and reserves	34	43
Inventory costs	21	19
Net operating loss and tax credit carryforwards	48	41
Other	54	61
Subtotal	380	385
Valuation allowance	(37)	(34)
Total deferred tax assets	<u>343</u>	<u>351</u>
Deferred tax liabilities ^(a)		
Fixed and intangible assets	(325)	(277)
Low-income housing partnerships	(23)	(22)
Unremitted foreign earnings	(16)	(7)
Other	(25)	(24)
Total deferred tax liabilities	(389)	(330)
Net deferred tax assets (liabilities)	<u>\$ (46)</u>	<u>\$ 21</u>

^(a) The Company prospectively adopted ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," requiring all deferred tax assets and liabilities to be classified as noncurrent. See Note 1 for further details.

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

	2016	2015
Valuation allowance at beginning of year	\$ (34)	\$ (51)
Net decrease/(increase) for other foreign deferred tax assets	3	15
Net decrease/(increase) for foreign net operating loss carryforwards and tax credits	(6)	2
Valuation allowance at end of year	<u>\$ (37)</u>	<u>\$ (34)</u>

As of June 30, 2016, the Company had foreign tax credit carryforwards of \$15 for U.S. income tax purposes with expiration dates between fiscal years 2024 and 2025. Tax credit carryforwards in foreign jurisdictions of \$19 have expiration dates in fiscal year 2031. Tax credit carryforwards in foreign jurisdictions of \$1 can be carried forward indefinitely. Tax benefits from foreign net operating loss carryforwards of \$16 have expiration dates between fiscal years 2017 and 2036. Tax benefits from foreign net operating loss carryforwards of \$12 can be carried forward indefinitely.

The Company files income tax returns in the U.S. federal and various state, local and foreign jurisdictions. The federal statute of limitations has expired for all tax years through June 30, 2012. Various income tax returns in state and foreign jurisdictions are currently in the process of examination.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. As of June 30, 2016 and 2015, the total balance of accrued interest and penalties related to uncertain tax positions was \$3 and \$10, respectively. Interest and penalties related to uncertain tax positions included in income tax expense resulted in a net benefit of \$1, a net benefit of \$1, and a net expense of \$3 in fiscal years 2016, 2015 and 2014, respectively.

NOTE 18. INCOME TAXES (Continued)

The following is a reconciliation of the beginning and ending amounts of the Company's gross unrecognized tax benefits:

	2016	2015	2014
Unrecognized tax benefits at beginning of year	\$ 38	\$ 71	\$ 69
Gross increases - tax positions in prior periods	3	3	3
Gross decreases - tax positions in prior periods	(3)	(8)	(5)
Gross increases - current period tax positions	8	6	7
Gross decreases - current period tax positions	-	-	-
Lapse of applicable statute of limitations	(4)	(34)	(1)
Settlements	(5)	-	(2)
Unrecognized tax benefits at end of year	<u>\$ 37</u>	<u>\$ 38</u>	<u>\$ 71</u>

Included in the balance of unrecognized tax benefits as of June 30, 2016, 2015 and 2014, are potential benefits of \$27, \$27 and \$58, respectively, which if recognized, would affect net earnings. During the fiscal year ended June 30, 2015, \$32 of gross unrecognized tax benefits relating to other discontinued operations for periods prior to fiscal year 2015 were recognized upon the expiration of the applicable statute of limitations. Recognition of these previously disclosed tax benefits had no impact on the Company's cash flow or earnings from continuing operations for the fiscal years ended June 30, 2016, 2015 and 2014.

NOTE 19. EMPLOYEE BENEFIT PLANS**Retirement Income Plans**

Effective July 1, 2011, and as part of a set of long-term, cost-neutral enhancements to the Company's overall employee benefit plans, the domestic qualified retirement income pension plan was frozen for service accrual and eligibility purposes for most participants, however, interest credits have continued to accrue on participant balances. As of June 30, 2016 and 2015, the benefits of the domestic pension plan are based on either employee years of service and compensation or a stated dollar amount per year of service. The Company is the sole contributor to the plan in amounts deemed necessary to provide benefits and to the extent deductible for federal income tax purposes. Assets of the plan consist primarily of investments in cash equivalents and common collective trusts.

The Company contributed \$15 to its domestic qualified pension plan during fiscal year 2016. No contributions were made in fiscal year 2015 and 2014. The Company's funding policy for its qualified plans is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit tax laws plus additional amounts as the Company may determine to be appropriate. Subsequent to June 30, 2016, the Company made a \$15 discretionary contribution to the pension plan.

Contributions made to the domestic non-qualified pension plans were \$16, \$13 and \$13 in fiscal years 2016, 2015 and 2014, respectively.

Retirement Health Care Plans

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

The assumed domestic health care cost trend rate used in measuring the accumulated benefit obligation (ABO) was 6.75% for both medical and prescription drugs for fiscal year 2016. These rates have been assumed to gradually decrease each year until an assumed ultimate trend of 4.5% is reached in 2037. The health care cost trend rate assumption has a minimal effect on the amounts reported due primarily to the existence of benefit cap provisions in the Company's domestic plan. As such, the effect of a hypothetical 100 basis point increase or decrease in the assumed domestic health care cost trend rate on the total service and interest cost components as well as the postretirement benefit obligation would have been immaterial for each of the fiscal years ended June 30, 2016, 2015 and 2014.

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)**Financial Information Related to Retirement Income and Retirement Health Care**

Summarized information for the Company's retirement income and retirement health care plans as of and for the fiscal years ended June 30 is as follows:

	Retirement Income		Retirement Health Care	
	2016	2015	2016	2015
Change in benefit obligations:				
Projected benefit obligation as of beginning of year	\$ 639	\$ 641	\$ 45	\$ 49
Service cost	1	2	-	-
Interest cost	26	25	2	2
Actuarial loss (gain)	51	14	2	-
Plan amendments	(1)	-	-	(1)
Translation and other adjustments	(1)	(5)	-	(2)
Benefits paid	(42)	(38)	(2)	(3)
Projected benefit obligation as of end of year	<u>673</u>	<u>639</u>	<u>47</u>	<u>45</u>
Change in plan assets:				
Fair value of assets as of beginning of year	\$ 409	\$ 432	\$ -	\$ -
Actual return on plan assets	26	6	-	-
Employer contributions	31	13	2	3
Benefits paid	(42)	(38)	(2)	(3)
Translation and other adjustments	(1)	(4)	-	-
Fair value of plan assets as of end of year	<u>423</u>	<u>409</u>	<u>-</u>	<u>-</u>
Accrued benefit cost, net funded status	<u>\$ (250)</u>	<u>\$ (230)</u>	<u>\$ (47)</u>	<u>\$ (45)</u>
Amount recognized in the balance sheets consists of:				
Pension benefit assets	\$ 1	\$ 2	\$ -	\$ -
Current accrued benefit liability	(14)	(16)	(3)	(3)
Non-current accrued benefit liability	(237)	(216)	(44)	(42)
Accrued benefit cost, net	<u>\$ (250)</u>	<u>\$ (230)</u>	<u>\$ (47)</u>	<u>\$ (45)</u>

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)

Retirement income plans with ABO in excess of plan assets as of June 30 were as follows:

	<u>Pension Plans</u>		<u>Other Retirement Plans</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 575	\$ 538	\$ 76	\$ 80
Accumulated benefit obligation	574	538	76	80
Fair value of plan assets	399	385	-	-

The ABO for all pension plans was \$596, \$559 and \$563 as of June 30, 2016, 2015 and 2014, respectively.

The net costs of the retirement income and health care plans for the fiscal years ended June 30 included the following components:

	<u>Retirement Income</u>			<u>Retirement Health Care</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 1	\$ 2	\$ 3	\$ -	\$ -	\$ 1
Interest cost	26	25	27	2	2	2
Expected return on plan assets	(17)	(20)	(25)	-	-	-
Amortization of unrecognized items	10	12	11	(3)	2	(4)
Total	\$ 20	\$ 19	\$ 16	\$ (1)	\$ 4	\$ (1)

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)

Items not yet recognized as a component of postretirement expense as of June 30, 2016, consisted of:

	<u>Retirement Income</u>	<u>Retirement Health Care</u>
Net actuarial loss (gain)	\$ 296	\$ (13)
Prior service benefit	-	(6)
Net deferred income tax (assets) liabilities	(111)	7
Accumulated other comprehensive loss (income)	<u>\$ 185</u>	<u>\$ (12)</u>

Net actuarial loss (gain) recorded in Accumulated other comprehensive net (losses) income for the fiscal year ended June 30, 2016, included the following:

	<u>Retirement Income</u>	<u>Retirement Health Care</u>
Net actuarial loss (gain) as of beginning of year	\$ 264	\$ (17)
Amortization during the year	(10)	2
Loss (gain) during the year	42	2
Net actuarial loss (gain) as of end of year	<u>\$ 296</u>	<u>\$ (13)</u>

The Company uses the straight-line amortization method for unrecognized prior service costs and benefits. In fiscal year 2017, the Company expects to recognize, on a pre-tax basis, \$11 of the net actuarial loss as a component of net periodic benefit cost for the Pension Plans. In addition, in fiscal year 2017, the Company expects to recognize, on a pre-tax basis, \$1 of the net actuarial gain as a component of net periodic benefit cost for the retirement health care plans.

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

	<u>Retirement Income</u>		<u>Retirement Health Care</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Discount rate	3.42%	4.20%	3.42%	4.16%
Rate of compensation increase	2.92%	3.37%	n/a	n/a

Weighted-average assumptions used to estimate the net periodic pension and other postretirement benefit costs as of June 30 were as follows:

	<u>Retirement Income</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate	4.20%	4.05%	4.39%
Rate of compensation increase	3.37%	4.46%	3.44%
Expected return on plan assets	4.34%	5.28%	6.61%

	<u>Retirement Health Care</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discount rate	4.16%	4.00%	4.33%

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

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)

Expected benefit payments for the Company's pension and other postretirement plans as of June 30, 2016, were as follows:

	Retirement Income	Retirement Health Care
2017	\$ 39	\$ 3
2018	52	3
2019	39	3
2020	39	2
2021	39	2
Fiscal years 2022 through 2026	193	12

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

The target allocations and weighted average asset allocations by asset category of the investment portfolio for the Company's domestic retirement income plans as of June 30 were:

	% Target Allocation		% of Plan Assets	
	2016	2015	2016	2015
U.S. equity	11%	11%	11%	11%
International equity	12	12	11	12
Fixed income	74	74	74	74
Other	3	3	4	3
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The target asset allocation is determined based on the optimal balance between risk and return and, at times, may be adjusted to achieve the plan's overall investment objective to generate sufficient resources to pay current and projected plan obligations over the life of the domestic qualified retirement income plan.

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)

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

	2016		
	Level 1	Level 2	Total
Cash equivalents	\$ 2	\$ -	\$ 2
Common collective trusts			
Bond funds	-	307	307
International equity funds	-	56	56
Domestic equity funds	-	44	44
Real estate fund	-	14	14
Total common collective trusts	-	421	421
Total assets at fair value	\$ 2	\$ 421	\$ 423

	2015		
	Level 1	Level 2	Total
Cash equivalents	\$ 3	\$ -	\$ 3
Common collective trusts			
Bond funds	-	295	295
International equity funds	-	59	59
Domestic equity funds	-	41	41
Real estate fund	-	11	11
Total common collective trusts	-	406	406
Total assets at fair value	\$ 3	\$ 406	\$ 409

The carrying value of cash equivalents approximates its fair value as of June 30, 2016 and 2015.

NOTE 19. EMPLOYEE BENEFIT PLANS (Continued)

Common collective trust funds are not publicly traded and, therefore, are classified as Level 2. They are valued at a net asset value unit price determined by the portfolio's sponsor based on the fair value of underlying assets held by the common collective trust fund on June 30, 2016 and 2015.

The common collective trusts are invested in various trusts that attempt to achieve their investment objectives by investing primarily in other collective investment funds which have characteristics consistent with each trust's overall investment objective and strategy.

Defined Contribution Plans

The Company has defined contribution plans for most of its domestic employees. The plans include The Clorox Company 401(k) Plan, The Clorox Company 2011 Nonqualified Defined Contribution Plan and the Executive Retirement Plan. The aggregate cost of the domestic defined contribution plans was \$45, \$45 and \$43 in fiscal years 2016, 2015 and 2014, respectively. Included in the aggregate cost was the cost of The Clorox Company 401(k) Plan of \$41, \$42 and \$38 in fiscal years 2016, 2015 and 2014, respectively. The Company also has defined contribution plans for certain international employees. The aggregate cost of these foreign plans was \$3 for the fiscal years ended June 30, 2016, 2015 and 2014.

NOTE 20. SEGMENT REPORTING

The Company operates through strategic business units that are aggregated into the following four reportable segments based on the economics and nature of the products sold:

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, including bleach products under the Clorox[®] brand and Clorox 2[®] stain fighter and color booster; home care products, primarily under the Clorox[®], Formula 409[®], Liquid-Plumr[®], Pine-Sol[®], S.O.S[®] and Tilex[®] brands; naturally derived products under the Green Works[®] brand; and professional cleaning and disinfecting products under the Clorox[®], Dispatch[®], Aplicare[®], HealthLink[®] and Clorox Healthcare[®] brands.
- *Household* consists of charcoal, cat litter, digestive health products and bags, wraps and container products marketed and sold in the United States. Products within this segment include charcoal products under the Kingsford[®] and Match Light[®] brands; cat litter products under the Fresh Step[®], Scoop Away[®] and Ever Clean[®] brands; digestive health products under the Renew Life[®] brand; and bags, wraps and containers under the Glad[®] brand.
- *Lifestyle* consists of food products, water-filtration systems and filters and natural personal care products marketed and sold in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley[®], KC Masterpiece[®] and Soy Vay[®] brands; water-filtration systems and filters under the Brita[®] brand; and natural personal care products under the Burt's Bees[®] brand.
- *International* consists of products sold outside the United States. Products within this segment include laundry, home care, water-filtration, digestive health products, charcoal and cat litter products, dressings and sauces, bags, wraps and containers and natural personal care products, primarily under the Clorox[®], Glad[®], PinoLuz[®], Ayudin[®], Limpido[®], Clorinda[®], Poett[®], Mistolin[®], Lestoil[®], Bon Bril[®], Brita[®], Green Works[®], Pine-Sol[®], Agua Jane[®], Chux[®], Renew Life[®], Kingsford[®], Fresh Step[®], Scoop Away[®], Ever Clean[®], KC Masterpiece[®], Hidden Valley[®] and Burt's Bees[®] brands.

Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, property and equipment, other investments and deferred taxes.

NOTE 20. SEGMENT REPORTING (Continued)

	Fiscal Year	Cleaning	Household	Lifestyle	International	Corporate	Total Company
Net sales	2016	\$ 1,912	\$ 1,862	\$ 990	\$ 997	\$ -	\$ 5,761
	2015	1,824	1,794	950	1,087	-	5,655
	2014	1,776	1,709	936	1,093	-	5,514
Earnings (losses) from continuing operations before income taxes	2016	511	428	251	66	(273)	983
	2015	445	375	257	79	(235)	921
	2014	428	326	258	99	(227)	884
Income from equity investees	2016	-	-	-	15	-	15
	2015	-	-	-	14	-	14
	2014	-	-	-	13	-	13
Total assets	2016	883	1,092	880	1,057	606	4,518
	2015	876	725	860	1,057	646	4,164
Capital expenditures	2016	44	83	18	24	3	172
	2015	35	50	11	25	4	125
	2014	37	53	11	31	5	137
Depreciation and amortization	2016	61	60	19	21	4	165
	2015	52	67	19	24	7	169
	2014	49	67	19	25	17	177
Significant noncash charges included in earnings (losses) from continuing operations before income taxes:							
Share-based compensation	2016	10	8	5	1	21	45
	2015	8	7	4	1	12	32
	2014	11	9	5	1	10	36

NOTE 20. SEGMENT REPORTING (Continued)

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

Net sales to the Company's largest customer, Walmart Stores, Inc. and its affiliates, were 27%, 26% and 27% of consolidated net sales for each of the fiscal years ended June 30, 2016, 2015 and 2014, respectively, and occurred in each of the Company's reportable segments. No other customers accounted for more than 10% of consolidated net sales in any of these fiscal years. During fiscal years 2016, 2015 and 2014, the Company's five largest customers accounted for 46%, 45%, and 45% of its consolidated net sales for each of the three fiscal years, respectively.

Three of the Company's product lines have accounted for 10% or more of consolidated net sales during each of the past three fiscal years. In fiscal years 2016, 2015 and 2014, sales of liquid bleach represented approximately 13%, 14% and 13% of the Company's consolidated net sales, respectively, approximately 25%, 26%, and 26% of net sales in the Cleaning segment for each such year, respectively, and approximately 27%, 27% and 28% of net sales in the International segment, respectively. Sales of trash bags represented approximately 13%, 14% and 13% of the Company's consolidated net sales in each of the fiscal years 2016, 2015 and 2014, respectively, and approximately 37%, 38% and 36% of net sales in the Household segment, respectively, for each such year. Sales of charcoal represented approximately 11% of the Company's consolidated net sales and approximately 34% of net sales in the Household segment in fiscal years 2016, 2015 and 2014.

Net sales and property, plant and equipment, net, by geographic area as of and for the fiscal years ended June 30 were as follows:

	Fiscal Year	United States	Foreign	Total Company
Net sales	2016	\$ 4,805	\$ 956	\$ 5,761
	2015	4,609	1,046	5,655
	2014	4,466	1,048	5,514
Property, plant and equipment, net	2016	\$ 799	\$ 107	\$ 906
	2015	801	117	918

NOTE 21. RELATED PARTY TRANSACTIONS

The Company holds various equity investments with ownership percentages of up to 50% in a number of consumer products businesses, most of which operate outside the United States. The equity investments, presented in Other assets accounted for under the equity method, were \$59 as of the fiscal years ended June 30, 2016 and 2015. The Company has no ongoing capital commitments, loan requirements, guarantees or any other types of arrangements under the terms of its agreements that would require any future cash contributions or disbursements arising out of an equity investment.

Transactions with the Company's equity investees typically represent payments for contract manufacturing and purchases of raw materials. Payments to related parties, including equity investees, for such transactions during the fiscal years ended June 30, 2016, 2015 and 2014 were \$57, \$55 and \$57, respectively. Receipts from and ending accounts receivable and payable balances related to the Company's related parties were not significant during or as of the end of each of the fiscal years presented.

NOTE 22. UNAUDITED QUARTERLY DATA

Dollars in millions, except market price and per share data

	Quarters Ended				
	September 30	December 31	March 31	June 30	Total Year
Fiscal year ended June 30, 2016					
Net sales	\$ 1,390	\$ 1,345	\$ 1,426	\$ 1,600	\$ 5,761
Cost of products sold	765	745	780	873	3,163
Earnings from continuing operations	173	151	159	165	648
(Losses) earnings from discontinued operations, net of tax	(1)	(2)	3	-	-
Net earnings	172	149	162	165	648
Per common share:					
Basic					
Continuing operations	\$ 1.34	\$ 1.16	\$ 1.23	\$ 1.28	\$ 5.01
Discontinued operations	(0.01)	(0.01)	0.02	-	-
Basic net earnings per share	\$ 1.33	\$ 1.15	\$ 1.25	\$ 1.28	\$ 5.01
Diluted					
Continuing operations	\$ 1.32	\$ 1.14	\$ 1.21	\$ 1.26	\$ 4.92
Discontinued operations	(0.01)	(0.01)	0.02	-	-
Diluted net earnings per share	\$ 1.31	\$ 1.13	\$ 1.23	\$ 1.26	\$ 4.92
Dividends declared per common share	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.80	\$ 3.11
Market price (NYSE)					
High	\$ 119.75	\$ 131.78	132.19	\$ 138.41	\$ 138.41
Low	104.26	114.06	122.40	119.23	104.26
Year-end					138.39
Fiscal year ended June 30, 2015					
Net sales	\$ 1,352	\$ 1,345	\$ 1,401	\$ 1,557	\$ 5,655
Cost of products sold	774	773	796	847	3,190
Earnings from continuing operations	145	128	144	189	606
Losses from discontinued operations, net of tax	(55)	(3)	30	2	(26)
Net earnings	90	125	174	191	580
Per common share:					
Basic					
Continuing operations	\$ 1.12	\$ 0.98	\$ 1.09	\$ 1.46	\$ 4.65
Discontinued operations	(0.42)	(0.02)	0.22	0.02	(0.20)
Basic net earnings per share	\$ 0.70	\$ 0.96	\$ 1.31	\$ 1.48	\$ 4.45
Diluted					
Continuing operations	\$ 1.10	\$ 0.97	\$ 1.08	\$ 1.44	\$ 4.57
Discontinued operations	(0.42)	(0.02)	0.22	0.02	(0.20)
Diluted net earnings per share	\$ 0.68	\$ 0.95	\$ 1.30	\$ 1.46	\$ 4.37
Dividends declared per common share	\$ 0.74	\$ 0.74	\$ 0.74	\$ 0.77	\$ 2.99
Market price (NYSE)					
High	\$ 112.70	\$ 112.65	\$ 106.36	\$ 98.31	\$ 112.70
Low	103.77	102.95	95.19	86.03	86.03
Year-end					104.02

FIVE-YEAR FINANCIAL SUMMARY
The Clorox Company

Dollars in millions, except per share data	Years ended June 30				
	2016	2015	2014	2013	2012
OPERATIONS					
Net sales	\$ 5,761	\$ 5,655	\$ 5,514	\$ 5,533	\$ 5,379
Gross profit	2,598	2,465	2,356	2,391	2,272
Earnings from continuing operations	\$ 648	\$ 606	\$ 579	\$ 573	\$ 535
(Losses) earnings from discontinued operations, net of tax	-	(26)	(21)	(1)	6
Net earnings	\$ 648	\$ 580	\$ 558	\$ 572	\$ 541
COMMON STOCK					
Earnings per share					
Continuing operations					
Basic	\$ 5.01	\$ 4.65	\$ 4.47	\$ 4.37	\$ 4.09
Diluted	4.92	4.57	4.39	4.31	4.05
Dividends declared per share	\$ 3.11	\$ 2.99	\$ 2.87	\$ 2.63	\$ 2.44
OTHER DATA					
As of June 30					
Dollars in millions					
Total assets	\$ 4,518	\$ 4,164	\$ 4,258	\$ 4,311	\$ 4,355
Long-term debt	1,797	1,796	1,595	2,170	1,571

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES (Dollars in millions)

Column A	Column B	Column C	Column D		Column E
Description	Balance at beginning of period	Additions Charged to costs and expenses	Deductions		Balance at end of period
			Credited to costs and expenses	Credited to other accounts	
Allowance for doubtful accounts					
Year ended June 30, 2016	\$ (4)	\$ (1)	\$ -	\$ -	\$ (5)
Year ended June 30, 2015	(3)	(1)	-	-	(4)
Year ended June 30, 2014	(5)	-	2	-	(3)
LIFO allowance					
Year ended June 30, 2016	\$ (34)	\$ (1)	\$ -	\$ 3	\$ (32)
Year ended June 30, 2015	(36)	-	-	2	(34)
Year ended June 30, 2014	(40)	-	3	1	(36)
Valuation allowance on deferred tax assets					
Year ended June 30, 2016	\$ (34)	\$ (5)	\$ -	\$ 2	\$ (37)
Year ended June 30, 2015	(51)	(4)	-	21	(34)
Year ended June 30, 2014	(36)	(25)	-	10	(51)

THE CLOROX COMPANY
RECONCILIATION OF ECONOMIC PROFIT (UNAUDITED) ⁽¹⁾

Dollars in millions	FY16	FY15	FY14
Earnings from continuing operations before income taxes	\$ 983	\$ 921	\$ 884
Noncash U.S. GAAP restructuring and intangible asset impairment costs	9	1	3
Interest expense	88	100	103
Earnings from continuing operations before income taxes, noncash U.S. GAAP restructuring and intangible asset costs, and interest expense	<u>\$ 1,080</u>	<u>\$ 1,022</u>	<u>\$ 990</u>
Income taxes on earnings from continuing operations before income taxes, noncash U.S. GAAP restructuring and intangible asset impairment costs and interest expense ⁽²⁾	368	350	342
Adjusted after tax profit	\$ 712	\$ 672	\$ 648
Average capital employed ⁽³⁾	2,472	2,393	2,494
Capital charge ⁽⁴⁾	222	214	225
Economic profit ⁽¹⁾ (Adjusted after tax profit less capital charge)	\$ 490	\$ 458	\$ 423

- (1) Economic profit (EP) is defined by the Company as earnings from continuing operations before income taxes, excluding noncash U.S. GAAP restructuring and intangible asset impairment costs, and interest expense; less an amount of tax based on the effective tax rate, and less a charge equal to average capital employed multiplied by a cost of capital rate. EP is a key financial metric that the Company's management uses to evaluate business performance and allocate resources, and is a component in determining employee incentive compensation. The Company's management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.
- (2) The tax rate applied is the effective tax rate on earnings from continuing operations, which was 34.1%, 34.2% and 34.6% in fiscal years 2016, 2015 and 2014, respectively.
- (3) Total capital employed represents total assets less non-interest bearing liabilities. Adjusted capital employed represents total capital employed adjusted to add back current year after tax noncash U.S. GAAP restructuring and intangible asset impairment costs. Average capital employed is the average of adjusted capital employed for the current year and total capital employed for the prior year, based on year-end balances. See below for details of the average capital employed calculation:

Total assets	\$ 4,518	\$ 4,164	\$ 4,258
Less:			
Accounts payable and accrued liabilities ⁽⁵⁾	1,032	976	912
Income taxes payable	-	31	8
Other liabilities ⁽⁵⁾	784	745	768
Deferred income taxes	82	95	103
Non-interest bearing liabilities	<u>1,898</u>	<u>1,847</u>	<u>1,791</u>
Total capital employed	2,620	2,317	2,467
After tax noncash U.S. GAAP restructuring and intangible asset impairment costs	6	1	2
Adjusted capital employed	\$ 2,626	\$ 2,318	\$ 2,469
Average capital employed	\$ 2,472	\$ 2,393	\$ 2,494

- (4) Capital charge represents average capital employed multiplied by a cost of capital, which was 9% for all fiscal years presented. The calculation of capital charge includes the impact of rounding numbers.
- (5) Accounts payable and accrued liabilities were combined into one financial statement line as of June 30, 2016. The change has been retrospectively applied to all periods presented. Accounts payable and accrued liabilities and Other Liabilities are adjusted to exclude interest-bearing liabilities.