

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2001.

OR

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

For the transition period from _____ to _____.

Commission File Number 1-644

COLGATE-PALMOLIVE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

13-1815595

(State or other jurisdiction of incorporation or organization)

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

300 PARK AVENUE, NEW YORK, NEW YORK

10022

(Address of principal executive offices)

(Zip Code)

(212) 310-2000

(Registrant's telephone number, including area code)

NO CHANGES

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Class	Shares Outstanding	Date
----- Common, \$1.00 par value	----- 554,988,615	----- July 31, 2001

PART I. FINANCIAL INFORMATION

COLGATE-PALMOLIVE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales	\$2,329.6	\$2,336.7	\$4,622.2	\$4,578.5
Cost of sales	1,051.0	1,065.8	2,083.8	2,086.4
Gross profit	1,278.6	1,270.9	2,538.4	2,492.1
Selling, general and administrative expenses	809.0	832.8	1,627.3	1,649.5
Interest expense	45.9	51.2	93.3	100.3
Interest income	(3.0)	(7.0)	(6.8)	(15.0)
Income before income taxes	426.7	393.9	824.6	757.3
Provision for income taxes	139.5	132.0	269.5	255.5
Net income	\$ 287.2	\$ 261.9	\$ 555.1	\$ 501.8
Earnings per common share:				
Basic	\$.50	\$.45	\$.97	\$.85
Diluted	\$.47	\$.42	\$.91	\$.80
Dividends declared per common share*	\$ -	\$ -	\$.32	\$.32

* Includes two dividend declarations in the first quarter periods.
See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)
 (Unaudited)

ASSETS -----	June 30, 2001 ----	December 31, 2000 ----
Current assets:		
Cash and cash equivalents	\$ 251.1	\$ 206.6
Marketable securities	3.9	5.9
Receivables (less allowances of \$42.1 and \$39.8)	1,174.3	1,195.4
Inventories	711.2	686.6
Other current assets	251.0	252.7
	-----	-----
	2,391.5	2,347.2
Property, plant and equipment:		
Cost	4,237.1	4,287.3
Less: Accumulated depreciation	1,781.3	1,759.0
	-----	-----
	2,455.8	2,528.3
Goodwill and other intangible assets (net of accumulated amortization of \$685.4 and \$651.0)	1,984.0	2,096.4
Other assets	313.9	280.4
	-----	-----
	\$7,145.2	\$7,252.3
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2001 ----	December 31, 2000 ----
Current liabilities:		
Notes and loans payable	\$ 89.3	\$ 121.1
Current portion of long-term debt	351.1	320.2
Accounts payable	699.0	738.9
Accrued income taxes	191.4	163.7
Other accruals	749.8	900.2
	-----	-----
	2,080.6	2,244.1
Long-term debt	2,958.2	2,536.9
Deferred income taxes	400.9	447.3
Other liabilities	630.4	555.9
Shareholders' equity:		
Preferred stock	346.9	354.1
Common stock	732.9	732.9
Additional paid-in capital	1,114.7	1,144.9
Retained earnings	5,261.7	4,893.7
Accumulated other comprehensive income	(1,344.0)	(1,269.7)
	-----	-----
	6,112.2	5,855.9
Unearned compensation	(343.8)	(344.4)
Treasury stock, at cost	(4,693.3)	(4,043.4)
	-----	-----
	1,075.1	1,468.1
	-----	-----
	\$ 7,145.2	\$ 7,252.3
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)
(Unaudited)

	Six Months Ended	
	June 30,	
	2001	2000
	-----	-----
Operating Activities:		

Net income	\$ 555.1	\$ 501.8
Adjustments to reconcile net income to net cash provided by operations:		
Restructured operations	(1.6)	(6.2)
Depreciation and amortization	167.2	168.7
Income taxes and other, net	73.5	76.0
Cash effects of changes in:		
Receivables	0.8	(78.3)
Inventories	(48.6)	10.4
Payables and accruals	(124.5)	(15.2)
	-----	-----
Net cash provided by operating activities	621.9	657.2
Investing Activities:		

Capital expenditures	(122.3)	(157.2)
Payments for acquisitions, net of cash acquired	(10.2)	(30.0)
Sale of marketable securities	0.9	19.1
Proceeds from sale of long-term investments	4.2	103.5
Other	(40.3)	(37.4)
	-----	-----
Net cash used for investing activities	(167.7)	(102.0)
Financing Activities:		

Principal payments on debt	(190.9)	(333.1)
Proceeds from issuance of debt	660.3	456.0
Dividends paid	(187.1)	(191.9)
Purchase of common stock	(706.0)	(465.4)
Other	17.4	6.4
	-----	-----
Net cash used for financing activities	(406.3)	(528.0)
Effect of exchange rate changes on cash and cash equivalents	(3.4)	(2.6)
	-----	-----
Net increase in cash and cash equivalents	44.5	24.6
Cash and cash equivalents at beginning of period	206.6	199.6
	-----	-----
Cash and cash equivalents at end of period	\$ 251.1	\$ 224.2
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars and Shares in Millions Except Per Share Amounts)
(Unaudited)

1. The Condensed Consolidated Financial Statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair presentation of the results for interim periods. Results of operations for the interim periods may not be representative of results to be expected for a full year.

2. Provision for certain expenses, including income taxes, media advertising, consumer promotion and new product introductory costs, are based on full year assumptions. Such expenses are charged to operations in the year incurred and are included in the accompanying condensed consolidated financial statements in proportion with the passage of time or with estimated annual tax rates or annual sales.

3. Inventories by major classes were as follows:

	June 30, 2001	December 31, 2000
Raw materials and supplies	\$198.9	\$206.2
Work-in-process	32.0	30.7
Finished goods	480.3	449.7
	-----	-----
	\$711.2	\$686.6
	=====	=====

4. Earnings Per Share:

	Three Months Ended June 30, 2001			Three Months Ended June 30, 2000		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$287.2			\$261.9		
Preferred dividends	(5.0)			(5.1)		
	-----			-----		
Basic EPS	282.2	560.6	\$.50	256.8	576.3	\$.45
			=====			=====
Stock options		8.9			10.3	
ESOP conversion	4.9	41.2		5.0	42.7	
	-----	-----		-----	-----	
Diluted EPS	\$287.1	610.7	\$.47	\$261.8	629.3	\$.42
	=====	=====	=====	=====	=====	=====

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars and Shares in Millions Except Per Share Amounts)
(Unaudited)

	Six Months Ended June 30, 2001			Six Months Ended June 30, 2000		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$555.1			\$501.8		
Preferred dividends	(10.1)			(10.4)		
Basic EPS	545.0	562.6	\$.97	491.4	577.2	\$.85
Stock options		9.1			10.6	
ESOP conversion	9.9	41.4		10.1	43.0	
Diluted EPS	\$554.9	613.1	\$.91	\$501.5	630.8	\$.80

5. Comprehensive income

Comprehensive income is comprised of net earnings, currency translation gains and losses, and gains and losses from derivative instruments designated as cash flow hedges. Total comprehensive income for the three months ended June 30, 2001 and 2000 was \$280.6 and \$215.7, respectively. Total comprehensive income for the six months ended June 30, 2001 and 2000 was \$480.8 and \$448.2, respectively. The difference from net income primarily consists of foreign currency translation adjustments. Accumulated other comprehensive income, as reflected in the condensed consolidated balance sheets, primarily consists of cumulative foreign currency translation adjustments.

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions)
(Unaudited)

6. Segment information:

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Net Sales				
North America	\$ 584.2	\$ 567.4	\$1,164.7	\$1,115.3
Latin America	613.7	635.8	1,198.2	1,224.2
Europe	472.0	480.0	935.8	942.4
Asia/Africa	371.8	378.8	758.2	754.3
	-----	-----	-----	-----
Total Oral, Personal and Household Care	2,041.7	2,062.0	4,056.9	4,036.2
Total Pet Nutrition	287.9	274.7	565.3	542.3
	-----	-----	-----	-----
Net Sales	\$2,329.6	\$2,336.7	\$4,622.2	\$4,578.5
	=====	=====	=====	=====
Earnings				
North America	\$ 136.1	\$ 127.3	\$ 262.6	\$ 241.6
Latin America	163.7	144.1	323.3	285.7
Europe	86.7	83.0	171.9	167.2
Asia/Africa	49.2	46.1	104.7	93.6
	-----	-----	-----	-----
Total Oral, Personal and Household Care	435.7	400.5	862.5	788.1
Total Pet Nutrition	75.1	58.0	137.6	113.6
Corporate overhead and other	(41.2)	(20.4)	(89.0)	(59.1)
	-----	-----	-----	-----
Earnings before interest and taxes	469.6	438.1	911.1	842.6
Interest expense, net	(42.9)	(44.2)	(86.5)	(85.3)
	-----	-----	-----	-----
Income before income taxes	\$ 426.7	\$ 393.9	\$ 824.6	\$ 757.3
	=====	=====	=====	=====

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars and Shares in Millions Except Per Share Amounts)
(Unaudited)

7. New Accounting Pronouncements

In April 2001, the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." This issue addresses the income statement classification of consideration from a vendor to a customer in connection with the customer's purchase or promotion of the vendor's products. This consensus is expected to impact only revenue and expense classifications and not to change reported net income. At the same meeting, the EITF also deferred the effective date of Issue No. 00-14, "Accounting for Certain Sales Incentives," the impact of which was disclosed in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, to coincide with the adoption of Issue No. 00-25. In accordance with the consensuses reached, the Company will adopt the accounting required by Issue No. 00-14 and Issue No. 00-25 effective January 1, 2002.

In July 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." In addition to requiring the use of the purchase method for all business combinations, SFAS 141 requires intangible assets that meet certain criteria to be recognized as assets apart from goodwill. SFAS 142 addresses accounting and reporting standards for acquired goodwill and other intangible assets, and generally, requires that goodwill and indefinite life intangible assets no longer be amortized but be tested for impairment annually. Finite life intangible assets will continue to be amortized over their useful lives. The Company will adopt these statements effective January 1, 2002. The impact of these statements on the Company's consolidated financial statements is currently being evaluated.

8. Reference is made to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000 for a complete set of financial notes including the Company's significant accounting policies.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

Results of Operations

Worldwide sales reached \$2,329.6 in the second quarter of 2001. Sales increased 1%, excluding divestments, as compared to the 2000 second quarter, reflecting unit volume gains of 5% offset by a decline in foreign currencies. Sales would have risen 5%, excluding the effect of foreign exchange.

Second quarter sales in the Oral, Personal and Household Care segment, excluding divestments, remained level at \$2,041.7 on volume growth of 5% offset by foreign currencies.

Colgate-North America sales grew 3% in the second quarter of 2001 to \$584.2 on volume gains of 4%. Sales were driven by the continuing growth of new products in all core categories. These new products included Colgate Total Plus Whitening toothpaste, Colgate 2in1 liquid toothpaste and mouthwash, Softsoap Fruit Essentials bodywash and liquid hand soap and the recently launched Lady Speed Stick Invisible Dry with Aloe deodorant. Increased market share was achieved in the Personal and Oral Care categories led by Softsoap Two in One hand soap, Speed Stick Ultimate AP deodorant and the continued success of the Actibrush toothbrush.

Colgate-Latin America sales decreased 1% to \$613.7 on volume gains of 4%, excluding divested businesses. Strong volume growth was seen in Mexico, Venezuela, Argentina and Central America. Colgate Fresh Confidence, Colgate Triple Action and Colgate Herbal toothpastes continued to increase market shares in toothpaste throughout the region. Contributing to growth in the Household Surface Care category were Ajax Antibacterial cleaner and Ajax Fiesta de Flores Antibacterial Apple, a new antibacterial cleaner.

Colgate-Europe sales decreased 1% to \$472.0 as volume gains of 6% were negatively impacted by the weakened Euro. Excluding the impact of foreign currency, sales would have also risen 6% largely due to volume increases in France, Germany, the United Kingdom and Italy. The Colgate Actibrush and the new Actibrush Bzzz for kids have strengthened Oral Care market share growth throughout the region. The performance of Palmolive Naturals translucent soap and Colgate Triple Action toothpaste and the recent launch of Lady Speed Stick Invisible Dry deodorant have driven volume growth across Central Europe and Russia.

Colgate-Asia/Africa sales decreased 2% to \$371.8 on volume gains of 7% offset by foreign currencies. Volume growth was driven by China, Malaysia, Thailand, New Zealand and South Africa. China continues to experience record market shares in Oral Care with the performance of recently introduced products such as Colgate Fresh Confidence and Colgate Herbal toothpastes and the Colgate Actibrush. Also contributing to volume growth in the region was the performance of Palmolive Naturals conditioner.

Hill's Pet Nutrition sales increased 5% to \$287.9 with unit volume gains of 5%. Domestic volume rose through strong veterinary endorsements, effective national selling programs and higher sales from new products such as Science Diet Sensitive Skin and Science Diet Sensitive Stomach special needs products. Hill's-International experienced volume growth across Europe, Japan and the South Pacific, driven by sales of new products coupled with the expansion of the Perfect Shop/Perfect Clinic merchandising programs.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

Sales in the Oral, Personal and Household Care segment for the six months ended June 30, 2001 were up 1% to \$4,056.9 from the comparable period in 2000 as volume rose 6% partially offset by a decline in foreign currencies. Within this segment, Colgate-North America sales increased 4% on volume growth of 5%, Colgate-Latin America sales increased 1%, excluding divested businesses, on volume growth of 4%, Colgate-Europe sales decreased 1% while volume grew 7% and Colgate-Asia/Africa sales increased 1% on volume growth of 9%.

Worldwide gross profit margin for the second quarter of 2001 increased to 54.9% from 54.4% for the comparable period in 2000. The Company continued to benefit from manufacturing cost reduction initiatives, global sourcing and other cost reduction programs.

Selling, general and administrative expenses as a percentage of sales decreased to 34.7% in the second quarter of 2001 from 35.6% in 2000, and to 35.2% in the first half of 2001 from 36.0% for the comparable period in 2000, as a result of the continued focus on reducing overhead, efficiencies in advertising purchases and the impact of translation on local currency advertising costs. Additionally, some promotion spending (i.e. "360-degree advertising") has been shifted to programs that are reported as a reduction of sales.

Earnings before interest and taxes (EBIT) increased 7% to \$469.6 in the second quarter of 2001, and reached a level of 20.2% of sales versus 18.7% in second quarter of 2000. For the first half of 2001 EBIT increased 8% to \$911.1, a level of 19.7% of sales as compared to 18.4% in 2000.

Interest expense, net of interest income, decreased to \$42.9 in the second quarter of 2001 as compared with \$44.2 in 2000. For the first half of 2001 interest expense increased slightly to \$86.5 compared with \$85.3 in 2000, primarily due to higher average debt levels in the current year, partially offset by the effect of lower interest rates.

The effective tax rate for the second quarter of 2001 was 32.7% versus 33.5% for the second quarter of 2000. The effective rate for the first half of 2001 was 32.7% versus 33.7% for the same period in 2000. The 32.7% rate reflects the Company's current estimate of its full year effective income tax rate that is slightly higher than the 2000 full year rate of 32.1%.

Net income for the second quarter of 2001 increased 10% to \$287.2 or \$.47 per share on a diluted basis compared with \$261.9 or \$.42 per share in the prior year. For the first half of 2001, net income increased 11% to \$555.1 or \$.91 per share on a diluted basis compared with \$501.8 or \$.80 per share in the prior year.

COLGATE-PALMOLIVE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

(Dollars in Millions Except Per Share Amounts)

Liquidity and Capital Resources

Net cash provided by operations was \$621.9 in the 2001 first half compared with \$657.2 in the 2000 first half. Net cash from operations includes a non-recurring first quarter tax payment related to the sale of the Mexican Viva detergent brand that occurred in the fourth quarter of 2000. Excluding the effect of this tax payment, net cash provided by operations is equal to the record cash generation of the 2000 first half. At June 30, 2001, \$795.9 of commercial paper was classified as long-term debt in accordance with the Company's intent and ability to refinance these obligations on a long-term basis.

Reference should be made to the Company's 2000 Annual Report on Form 10-K for additional information regarding liquidity and capital resources.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal matters refer to Item 3 on page 4 of the registrant's Annual Report on Form 10-K for the year ended December 31, 2000 and Note 14 to the consolidated financial statements included therein on pages 36-37.

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

The Company's annual meeting of stockholders was held on May 10, 2001. The matters voted on and the results of the vote were as follows:

- (a) Jill K. Conway, Ronald E. Ferguson, Ellen M. Hancock, David W. Johnson, Richard J. Kogan, Reuben Mark and Howard B. Wentz, Jr. were elected directors of the Company. The results of the vote were as follows:

	Votes Received	Votes Withheld
	-----	-----
Jill K. Conway	506,157,981	5,163,806
Ronald E. Ferguson	506,383,122	4,938,665
Ellen M. Hancock	506,241,102	5,080,685
David W. Johnson	506,202,360	5,119,427
Richard J. Kogan	506,191,738	5,130,049
Reuben Mark	506,337,278	4,984,509
Howard B. Wentz, Jr.	505,954,277	5,367,510

- (b) The ratification of the selection of Arthur Andersen LLP as auditors for the year ending December 31, 2001 was approved. The results of the vote were as follows:

Votes For	Votes Against	Abstentions
-----	-----	-----
502,552,673	6,262,224	2,506,890

- (c) A stockholder proposal regarding SA 8000 Social Accountability Standards was not approved. The results of the vote were as follows:

Votes For	Votes Against	Abstentions
-----	-----	-----
45,334,377	351,445,162	44,344,767

PART II. OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 10-C(a) Colgate-Palmolive Company Executive Severance Plan, as amended and restated.

Exhibit 12 Ratio of Earnings to Fixed Charges.

(b) Reports on Form 8-K.

None.

The exhibits indicated above which are not included with the Form 10-Q are available upon request and payment of a reasonable fee approximating the registrant's cost of providing and mailing the exhibits. Inquiries should be directed to:

Colgate-Palmolive Company
Office of the Secretary (10-Q Exhibits)
300 Park Avenue
New York, NY 10022-7499

SIGNATURE

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

COLGATE-PALMOLIVE COMPANY

(Registrant)

Principal Financial Officer:

August 13, 2001

/s/ Stephen C. Patrick

Stephen C. Patrick
Chief Financial Officer

Principal Accounting Officer:

August 13, 2001

/s/ Dennis J. Hickey

Dennis J. Hickey
Vice President and
Corporate Controller

September 14, 1989
as amended June 11, 1998
and June 14, 2001

COLGATE-PALMOLIVE COMPANY
EXECUTIVE SEVERANCE PLAN, AS AMENDED AND RESTATED

1. PURPOSE.

The purpose of the Colgate-Palmolive Company Executive Severance Plan (the "Plan") is to provide executives who are in a position to contribute materially to the success of Colgate-Palmolive Company (the "Parent Company") or any company at least 80% of whose voting shares are owned directly or indirectly by it (collectively, the "Company") with reasonable compensation in the event of their termination of employment with the Company under the circumstances described herein.

2. EFFECTIVE DATE.

The Plan, as amended and restated, is effective as of June 14, 2001.

3. ADMINISTRATION.

The Plan shall be administered by a Committee. Committee shall mean (i) prior to a Change of Control, the Personnel and Organization Committee of the Board of Directors of the Parent Company (the "Board") as then constituted and (ii) following a Change of Control, the Committee described in (i) above, as constituted immediately before the Change of Control, with such changes in the membership thereof as may be approved from time to time following the Change of Control by a majority of the members of such Committee as constituted prior to the Change of Control. Notwithstanding any other provision of this Plan, neither the Board nor the Company shall have any right to appoint members to or to remove members from the Committee following, or otherwise in connection with, a Change of Control. Any interpretation of the Plan or construction of any of its provisions by the Committee shall be final.

4. PARTICIPATION.

The Committee shall from time to time select the employees who are to participate in the Plan (the "Participants") from among those employees who are determined by the Committee to be in a position to contribute materially to the success of the Company. The Company shall advise each Participant of his participation in the Plan by a letter setting forth (i) the benefits to which the Participant would become entitled, (ii) the period, expressed in months, during or for which the Participant would become entitled to such benefits which period shall not be less than 12 months nor more than

36 months (the "Earned Benefit Period") and (iii) such other terms, provisions and conditions not inconsistent with the Plan as shall be determined by the Committee.

A Participant shall cease to be a Participant in the Plan upon termination of employment with the Company or, if earlier, upon termination of the Plan. Notwithstanding the foregoing, a Participant who terminates employment prior to termination of the Plan shall remain a Participant until receipt of all of the payments, if any, to which he is entitled under the terms hereof.

5. PAYMENTS UPON QUALIFIED TERMINATION OF EMPLOYMENT.

In the event of a Participant's Qualified Termination of Employment, the Participant shall be entitled, as compensation for services rendered (subject to any applicable payroll or other taxes required to be withheld) to:

- (a) receive an amount equal to the product of (i) the sum of (A) the Participant's annualized Monthly Base Salary at the rate in effect immediately prior to a Qualified Termination of Employment pursuant to Section 8(a)(i) or immediately prior to an Adverse Change in Conditions of Employment, as the case may be, or, if higher, at the highest rate in effect during the 90-day period preceding the Change of Control plus any salary-related allocations that may be made to the Participant's account under the Company's Savings and Investment Plan for the year in which the Qualified Termination of Employment occurs (for purposes of this Plan, Monthly Base Salary shall mean regular monthly salary as indicated by the Company's payroll records) and (B) the higher of (X) the highest annual bonus award paid or payable to the Participant (either pursuant to the Company's Executive Incentive Compensation Plan, the Bonus Savings Account of the Company's Savings and Investment Plan (net of applicable gross-up) or other bonus, incentive or compensation plan of the Company or otherwise) for any year during the five-year period ending immediately prior to the year in which the Qualified Termination of Employment occurs (provided, however, that if such five-year period includes the year in which the Change of Control occurs, then the annual bonus paid or payable for such year shall be deemed to be the higher of the said bonus actually paid or payable and the bonus that would have been paid for such year, determined as if all earnings, profit and other goals (whether established for the Participant or the Company), if any, had been met for such year and as if the Participant's employment had continued through the end of such year on the same basis as immediately prior to the Change of Control) and (Y) the bonus that would have been paid to the Participant (either pursuant to the Company's Executive Incentive Compensation Plan, the Bonus Savings Account of the Company's Savings and Investment Plan (net of applicable gross-up) or other bonus, incentive or compensation plan of the Company or otherwise) for the year in which the Qualified Termination of Employment occurs, determined as if all earnings, profit or other goals (whether established for the Participant or the Company), if

any, had been met for such year and as if the Participant had continued to be employed by the Company through the end of such year on the same basis as immediately prior to a Qualified Termination of Employment pursuant to Section 8(a)(i) or immediately prior to an Adverse Change in Conditions of Employment, as the case may be, and (ii) a fraction, the numerator of which is the number of months in his Earned Benefit Period and the denominator of which is twelve, provided, however, that such resulting amount shall be reduced if and -----

to the extent required by the terms of Section 9 hereof; such amount shall be payable in an undiscounted cash lump sum within 30 days of the Participant's Qualified Termination of Employment;

- (b) remain for his Earned Benefit Period an active Participant in all welfare benefit plans, including but not limited to plans providing life insurance, disability, accident, sickness, and/or medical benefits, in which, and on the same basis as, he was participating at the time of the Change of Control (or, if more favorable to the Participant, as in effect at any time thereafter with respect to other key executives), but subject to any coordination of benefits provisions contained in such plans, or, alternatively, be provided with substantially similar benefits for such period; provided, in any case, that the Participant shall be required to make contributions to the cost of such plans or benefits and pay co-payments to the same extent and on the same basis as required before the Participant's Qualified Termination of Employment or, if more favorable to the Participant, as active employees who continue to participate in such welfare benefit plans during the Earned Benefit Period;
- (c) receive a single cash lump sum within 30 days of the Participant's Qualified Termination of Employment equal to the excess of (i) over (ii) as described below:
 - (i) The present value of benefits under the Employees' Retirement Income Plan and the Supplemental Salaried Employees' Retirement Plan or any successor plans thereto to which the Participant would have been entitled commencing on the earliest date on which such benefits could have commenced if he had remained in the employ of the Company during the Earned Benefit Period or until age 65, whichever occurs first, based on his Recognized Earnings (as defined in the Employees' Retirement Income Plan) as determined most recently prior to the Qualified Termination of Employment and assuming for this purpose that all accrued benefits are fully vested and that benefit accrual formulas are no less advantageous to the Participant than those in effect during the 90-day period preceding the Change of Control;
 - (ii) The present value, as of the Qualified Termination of Employment, of benefits to which the Participant would actually be entitled under the Employees' Retirement Income Plan and the Supplemental Salaried

Employees' Retirement Plan commencing on the earliest date on which such benefits could actually commence.

The present-value amounts in (i) and (ii) above will be calculated based on the same methods and assumptions used when calculating lump sum amounts under the Supplemental Salaried Employees' Retirement Plan and inclusive of all subsidized forms of annuities under both the Employees' Retirement Income Plan and the Supplemental Salaried Employees' Retirement Plan.

6. PAYMENTS UPON CHANGE OF CONTROL.

In the event of a Change of Control of the Company (and whether or not the Participant's employment terminates), each Participant shall be entitled, as compensation for services rendered before the Change of Control, regardless of whether the Participant remains employed after the Change of Control (subject to any applicable payroll or other taxes required to be withheld) to:

- (a) receive for the year in which the Change of Control occurs a bonus (either pursuant to the Company's Executive Incentive Compensation Plan, the Bonus Savings Account of the Company's Savings and Investment Plan or other bonus, incentive or compensation plan of the Company or otherwise) equal to the product of (i) the amount determined pursuant to Section 5(a)(i)(B)(Y), provided, however, that if no such goals have been established for such year, the amount determined pursuant to Section 5(a)(i)(B)(X), and (ii) a fraction, the numerator of which is the number of months (or part thereof) in the period beginning January 1 of the year in which the Change of Control occurs and ending on the date of the Change of Control and the denominator of which is twelve; such bonus shall be payable in cash not later than the 30th day following the day on which the Change of Control occurs; and provided, further, that to the extent the Participant becomes entitled to another annual bonus based upon performance and/or service for the same period (or a longer period including such period), the amount thereof may be offset by the amount paid pursuant to this Section 6(a);
- (b) receive within 30 days following the Change of Control, all compensation amounts that the Participant previously has elected to defer, unless the Company has established procedures to permit the Participant to elect, and the Participant has timely elected in accordance with those procedures, to have the normal payment schedule under the applicable deferred compensation plan or arrangement continue to apply following a Change of Control.

7. EXERCISABILITY OF STOCK OPTIONS UPON CHANGE OF CONTROL.

In the event of a Change of Control, each stock option then held by a Participant that was granted under any of the Company's stock option plans (whether or not otherwise

exercisable as of such Change of Control and whether or not the Participant's employment terminates) that either was not granted in conjunction with a stock appreciation unit or was granted in conjunction with a stock appreciation unit whose value has been limited, shall become exercisable as of such Change of Control.

8. QUALIFIED TERMINATION OF EMPLOYMENT.

- (a) Qualified Termination of Employment with respect to any Participant shall mean termination of employment of the Participant with the Company, other than as a consequence of the death or Disability of the Participant, within two years after a Change of Control of the Company,
 - (i) by the Company for any reason other than for Cause, or
 - (ii) by the Participant by reason of an Adverse Change in Conditions of Employment.
- (b) For the purpose of this Section, Cause shall mean serious, willful misconduct in respect of the Participant's obligations to the Company (including but not limited to final conviction for a felony or perpetration of a common-law fraud) that has resulted, or is likely to result, in material economic damage to the Company.
- (c) An Adverse Change in Conditions of Employment shall mean the occurrence of any of the following events:
 - (i) the assignment to the Participant of any duties inconsistent in any respect with the Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities from those in effect immediately before the Change of Control, or any other diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly-traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Participant;
 - (ii) a reduction by the Company of the Participant's Monthly Base Salary as in effect immediately preceding the Change of Control or as the same may thereafter be increased from time to time;
 - (iii) failure by the Company to provide the Participant with incentive compensation opportunities that are, in the aggregate, at least as favorable (in terms of the value of the opportunities and the difficulty of achieving any associated goals) as those provided to the Participant immediately before the Change of Control, or to provide the Participant with employee

benefits that are, in the aggregate, at least as favorable as those provided to the Participant immediately before the Change of Control;

- (iv) the Company's requiring the Participant (a) to be based at an office located more than fifty (50) miles and at least twenty (20) additional miles from the place at which the Participant's principal residence was located immediately prior to the Change of Control, (b) to be based at a location other than the principal executive offices of the Company, if the Participant was based at the principal executive offices immediately preceding the Change of Control, or (c) to travel on Company business to a substantially greater extent than required immediately before the Change of Control.

A Participant's failure to object to a change described in (i), (ii), (iii) or (iv) shall not constitute a waiver of such change as an Adverse Change in Conditions of Employment. Any good faith determination by a Participant of an Adverse Change in Conditions of Employment shall be determinative.

- (d) For purposes of the Plan, a Change of Control of the Company shall mean the happening of any of the following events:

- (i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted itself was acquired directly from the Company, (2) any repurchase by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (4) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) of this Section 8(d); or
- (ii) A change in the composition of the Board such that the individuals who, as of the Effective Date of the Plan, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that, for purposes of this Section 8(d) any individual who becomes a member of the Board subsequent to the Effective Date of the Plan, whose election, or

nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

- (iii) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("Corporate Transaction"); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership derives from ownership of a 20% or more interest in the Outstanding Company Common Stock and/or Outstanding Company Voting Security that existed prior to the Corporate Transaction, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or (iv) the approval by shareholders of a complete liquidation or dissolution of the Company.

- (e) Termination by the Company of a Participant's employment based on Disability shall mean termination because of absence from duties with the Company on a full-time basis for six consecutive months, as a result of the Participant's incapacity due to physical or mental illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative (such agreement as to acceptability not to be withheld unreasonably).

9. EXCISE TAX PROVISION.

- (a) Anything in this Plan to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Participant shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments (regardless of whether the Participant's employment has terminated). Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Participant is entitled to a Gross-Up Payment, but that the Parachute Value of Payments does not exceed 110% of the Safe Harbor Amount, then no Gross-Up Payment shall be made to the Participant and the Plan Payments, in the aggregate, shall be reduced (but not below zero) such that the Parachute Value of all Payments equals the Safe Harbor Amount, determined in such a manner as to maximize the Value of all Payments actually made to the Participant.
- (b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Arthur Andersen LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the receipt of notice from the Participant that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Participant may (but shall not be required to) appoint another nationally-recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Subject to Section 9(e) below, any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Participant within five days of the receipt of the Accounting

Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Internal Revenue Code of 1986, as amended from time to time (the "Code") at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

- (c) The Participant shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Participant is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Participant in writing prior to the expiration of such period that it desires to contest such claim, the Participant shall:
- (i) give the Company any information reasonably requested by the Company relating to such claim,
 - (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
 - (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
 - (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in

connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Participant to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Participant, on an interest-free basis and shall indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (d) If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section 9(c), the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to the Company's complying with the requirements of Section 9(c) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Participant shall not be entitled to any refund with respect to such claim and the Company does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.
- (e) Notwithstanding any other provision of this Section 9, the Company may withhold and pay over to the Internal Revenue Service for the benefit of the Participant all or any portion of the Gross-Up Payment that it determines in good faith that it is or may be in the future required to withhold, and the Participant hereby consents to such withholding.
- (f) Definitions. The following terms shall have the following meanings for -----
purposes of this Section 9:

- (i) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.
- (ii) The "Net After-Tax Amount" of a Payment shall mean the Value of a Payment net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code and applicable state and local law, determined by applying the highest marginal rates that are expected to apply to the Participant's taxable income for the taxable year in which the Payment is made.
- (iii) "Parachute Value" of a Payment shall mean the present value as of the date of the Change of Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.
- (iv) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.
- (v) A "Plan Payment" shall mean a Payment paid or payable pursuant to this Plan (disregarding this Section 9).
- (vi) The "Safe Harbor Amount" means the maximum Parachute Value of all Payments that the Participant can receive without any Payments being subject to the Excise Tax.
- (vii) "Value" of a Payment shall mean the economic present value of a Payment as of the date of the Change of Control for purposes of Section 280G of the Code, as determined by the Accounting Firm using the discount rate required by Section 280G(d)(4) of the Code.

10. CONFIDENTIAL INFORMATION.

The Participant shall hold, in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company and its businesses which shall have been obtained by the Participant during his employment by the Company and which shall not be public knowledge (other than by acts of the Participant in violation of this provision). After termination of the Participant's employment with the Company, the Participant shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to any one other than the Company and those persons designated by it. In no event shall an asserted violation of this Section constitute a basis for deferring or

withholding any amounts otherwise payable to the Participant under the Plan. It shall be a condition to a Participant's right to receive payments and benefits under the Plan that the Participant agree to and comply with the foregoing covenant.

11. FINANCING.

Benefit payments under the Plan shall constitute general obligations of the Company in accordance with the terms of the Plan. A Participant shall have only an unsecured right to payment thereof out of the general assets of the Company. Notwithstanding the foregoing, the Company may, by agreement with one or more trustees to be selected by the Company, create a trust on such terms as the Company shall determine to make payments to Participants in accordance with the terms of the Plan.

12. TERMINATION AND PAYMENT OF THE PLAN.

The Plan shall terminate on the later of (i) June 30, 2004, unless extended by the Board or (ii) in the event of a Change of Control of the Company on or before the termination date of the Plan, two years after such Change of Control, provided that the termination of the Plan shall not impair or abridge the obligations of the Company incurred under the Plan to any Participant as a result of a Qualified Termination of Employment that occurs before the date the Plan is terminated.

Except as provided in the next sentence, the Board may from time to time terminate the Plan or amend the Plan in whole or in part. The Plan may not be terminated or amended in any manner which would adversely affect the rights or potential rights of Participants, if the action to effect such termination or amendment occurs (i) after a Change of Control, or (ii) in connection with a Change of Control, unless and to the extent that the Committee determines that such termination or amendment is required by law.

13. BENEFIT OF PLAN.

The Plan shall be binding upon and shall inure to the benefit of the Participants and their respective heirs and legal representatives, and the Company and its successors. The term "successor" shall mean any person, firm, corporation or other business entity that, at any time, whether by merger, acquisition or otherwise, acquires all or substantially all of the stock, assets or business of the Company.

14. NON-ASSIGNABILITY.

Each Participant's rights under this Plan shall be non-transferable except by will or by the laws of descent and distribution and except insofar as applicable law may otherwise require. Subject to the foregoing, no right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to

execution, attachment, levy or similar process, or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall, to the full extent permitted by law, be null, void and of no effect.

15. OTHER BENEFITS.

Except as otherwise specifically provided herein, nothing in the Plan shall affect the level of benefits provided to or received by any Participant (or the Participant's estate or beneficiaries) as part of any employee benefit plan of the Company, and the Plan shall not be construed to affect in any way a Participant's rights and obligations under any other plan maintained by the Company on behalf of employees.

The Participant shall not be required to mitigate the amount of any payment under the Plan by seeking employment or otherwise, and there shall be no right of set-off or counterclaim, in respect of any claim, debt or obligation, against any payments to the Participant, his dependents, beneficiaries or estate provided for in the Plan.

16. TERMINATION OF EMPLOYMENT.

Nothing in the Plan shall be deemed to entitle a Participant to continued employment with the Company, and the rights of the Company to terminate the employment of a Participant shall continue as fully as though the Plan were not in effect.

17. SEVERABILITY.

In the event that any provision or portion of the Plan shall be determined to be invalid or unenforceable for any reason, the remaining provisions and portions of the Plan shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

18. INDEMNIFICATION.

If the Participant seeks, in any action, suit or arbitration, to enforce, or to recover damages for breach of, his rights under the Plan, the Participant shall be entitled to recover from the Company promptly as incurred, and shall be indemnified by the Company against, any and all expenses and disbursements, including attorneys' fees, actually and reasonably incurred by the Participant. The Company shall also pay to the Participant prejudgment interest on any money judgment obtained by the Participant calculated at the Morgan Guaranty Trust Company of New York corporate base rate of interest in effect from time to time from the date that payment to him should have been made under the Plan.

19. DELAWARE LAW TO GOVERN.

All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Delaware without regard to the conflict of law principles thereof.

COLGATE-PALMOLIVE COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Dollars in Millions (Unaudited)

	Six Months Ended June 30, 2001
Income before income taxes	\$ 824.6
Add:	
Interest on indebtedness and amortization of debt expense and discount or premium	93.3
Portion of rents representative of interest factor	15.1
Interest on ESOP debt, net of dividends	1.5
Loss of less than fifty-percent-owned subsidiaries	0.3
Income as adjusted	\$ 934.8 =====
Fixed Charges:	
Interest on indebtedness and amortization of debt expense and discount or premium	\$ 93.3
Portion of rents representative of interest factor	15.1
Interest on ESOP debt, net of dividends	1.5
Capitalized interest	2.1
Total fixed charges	\$ 112.0 =====
Ratio of earnings to fixed charges	8.3 =====

In June 1989, the Company's leveraged employee stock ownership plan ("ESOP") issued \$410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. These notes are guaranteed by the Company. Interest incurred on the ESOP notes during the first half of 2001 was \$15.3. This interest is funded through preferred and common stock dividends. The fixed charges presented above include interest on ESOP indebtedness to the extent it is not funded through preferred and common stock dividends.