

KELLOGG CO
Form DEF 14A
March 19, 2002

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**SCHEDULE 14A
(Rule 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement
Commission only (as permitted by
Rule 14a-6(e)(2).

Confidential, for use of the

Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to Rule 14a-12.

Kellogg Company

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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KELLOGG COMPANY, BATTLE CREEK, MICHIGAN 49016-3599

Dear Share Owner:

It is my pleasure to invite you to attend the 2002 Annual Meeting of Share Owners of Kellogg Company. The meeting will be held at 1:00 p.m. on Friday, April 26, 2002, at the W. K. Kellogg Auditorium, 60 West Van Buren Street, Battle Creek, Michigan.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as directors. Attendance at the Annual Meeting will be limited to Share Owners only. If you plan to attend the meeting, please detach the Admission Ticket attached to your proxy card and bring it to the meeting.

If you are a Share Owner whose shares are not registered in your own name or you will be receiving your materials electronically and you plan to attend, please request an Admission Ticket by writing to: Kellogg Company Share Owner Services, One Kellogg Square, Battle Creek, MI 49016-3599. Evidence of your stock ownership, which you may obtain from your bank, stockbroker, etc., must accompany your letter. **Share Owners without tickets will only be admitted to the meeting upon verification of stock ownership.**

Share Owners needing special assistance at the meeting are requested to contact Share Owner Services at the address listed above.

Your vote is important. Whether you plan to attend the meeting or not, I urge you to vote your shares as soon as possible. Please either sign and return the accompanying card in the postage-paid envelope or instruct us by telephone or via the Internet as to how you would like your shares voted. This will ensure representation of your shares if you are unable to attend. Instructions on how to vote your shares by telephone or via the Internet are on the proxy card.

Sincerely,

Carlos M. Gutierrez
Chairman of the Board,
President and Chief Executive Officer

March 20, 2002

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KELLOGG COMPANY
One Kellogg Square
Battle Creek, Michigan 49016-3599

NOTICE OF ANNUAL MEETING OF SHARE OWNERS
TO BE HELD APRIL 26, 2002

TO THE SHARE OWNERS:

The Annual Meeting of Share Owners of Kellogg Company, a Delaware corporation, will be held at 1:00 p.m. on Friday, April 26, 2002, at the W. K. Kellogg Auditorium, 60 West Van Buren Street, Battle Creek, Michigan, for the following purposes:

1. To elect four directors for a three-year term to expire at the 2005 Annual Meeting of Share Owners;
2. To approve the Kellogg Company 2002 Employee Stock Purchase Plan;
3. To approve the Kellogg Company Senior Executive Annual Incentive Plan; and
4. To take action upon any other matters that may properly come before the meeting, or any adjournments thereof.

Only Share Owners of record at the close of business on March 4, 2002, will receive notice of and be entitled to vote at the meeting or any adjournments thereof.

By Order of the Board of Directors,

Janet Langford Kelly

Executive Vice President Corporate Development and Administration,
General Counsel and Secretary

March 20, 2002

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ELECTRONIC VOTING:

You may now vote your shares by telephone or over the Internet.

Voting electronically is quick, easy, and saves the Company money.

Just follow the instructions on your proxy card.

ELECTRONIC DELIVERY:

Reduce paper mailed to your home and help lower the Company's printing and postage costs!

The Company is pleased to offer the convenience of viewing Proxy Statements, Annual Reports to Share Owners, and related materials on-line. With your consent, we will stop sending paper copies of these documents until you notify us otherwise.

To participate, follow the easy directions below.

You will receive notification when the materials are available for review.

ACT NOW. . . IT'S FAST AND EASY

Just follow these 4 easy steps:

1. Log onto the internet at www.icsdelivery.com/kelloggs.
 2. Enter your Social Security or Tax I.D. Number (as printed on your check or statement)
 3. Enter your e-mail address
 4. Enter a PIN number of your choice which will be used for electronic voting.
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KELLOGG COMPANY

ONE KELLOGG SQUARE

BATTLE CREEK, MICHIGAN 49016-3599

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHARE OWNERS

TO BE HELD ON FRIDAY, APRIL 26, 2002

Solicitation of Proxy

This Proxy Statement and the accompanying Proxy are furnished to Share Owners of Kellogg Company in connection with the solicitation of proxies for use at the Annual Meeting of Share Owners of the Company to be held in Battle Creek, Michigan, on Friday, April 26, 2002, or any adjournments thereof. The enclosed Proxy is solicited by the Board of Directors of the Company.

Mailing Date

The Annual Report of the Company for 2001 including financial statements, the Notice of Annual Meeting, this Proxy Statement, and the Proxy were first mailed to Share Owners on March 20, 2002.

Who Can Vote Record Date

The record date for determining Share Owners entitled to vote at the Annual Meeting is March 4, 2002. Each of the 407,680,563 shares of common stock of the Company issued and outstanding on that date is entitled to one vote at the Annual Meeting.

How to Vote Proxy Instructions

You may vote your shares either (1) over the telephone by calling a toll-free number, (2) by using the Internet, or (3) by mailing in your proxy card. Share Owners who hold their shares in street name must vote their shares in the manner prescribed by their brokers.

The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you would like to vote by telephone or by using the Internet, please refer to the specific instructions on the proxy card. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Daylight Time on Thursday, April 25, 2002. If you wish to vote using the proxy card, complete, sign, and date your proxy card and return it to us before the meeting.

Whether you choose to vote by telephone, over the Internet, or by mail, you may specify whether your shares should be voted for all, some, or none of the nominees for director (Proposal 1 on the proxy card) and whether you approve, disapprove, or abstain from voting on the Kellogg Company 2002 Employee Stock Purchase Plan (Proposal 2 on the proxy card) and the Kellogg Company Senior Executive Annual Incentive Plan (Proposal 3 on the proxy card).

If you do not specify on your proxy card, or when giving your proxy by telephone or over the Internet, how you want to vote your shares, we will vote them For the election of all nominees for director as set forth under Election of Directors (Proposal 1) below, For Proposal 2, For Proposal 3, and otherwise at the discretion of the persons named in the proxy card.

When a properly executed proxy is received, the shares represented thereby, including shares held under the Company's Dividend Reinvestment Plan, will be voted by the persons named as the proxy according to each Share Owner's directions. Proxies will also be considered to be voting instructions to the applicable Trustee with respect to shares held in accounts under the Company's Savings and Investment Plans.

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Revocation of Proxies

You may revoke your proxy at any time before it is exercised in any of three ways:

- (1) by submitting written notice of revocation to the Company's Secretary;
- (2) by submitting another proxy by telephone, via the Internet, or by mail that is later dated and, if by mail, that is properly signed; or
- (3) by voting in person at the meeting.

Quorum

A quorum of Share Owners is necessary to hold a valid meeting. A quorum will exist if the holders of a majority of the votes entitled to be cast by the Share Owners at the Annual Meeting are present, in person or by proxy. Broker non-votes and abstentions are counted as present at the Annual Meeting for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee, such as a bank or broker, holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under New York Stock Exchange rules, nominees would have discretionary voting power for the election of directors (Proposal 1) but not for approval of the Kellogg Company 2002 Employee Stock Purchase Plan (Proposal 2) or approval of the Kellogg Company Senior Executive Annual Incentive Plan (Proposal 3).

Required Vote

The nominees for director receiving a plurality of the votes cast at the Annual Meeting will be elected directors. Plurality means that the nominees who receive the largest number of votes cast are elected as directors. For that reason, any shares not voted for the election of nominees will not affect the outcome of the election of directors. Similarly, any shares voted against the election of nominees will result in those nominees receiving fewer votes, but will otherwise not affect the outcome of the election of directors. If any nominee is unable or declines to serve, proxies will be voted for the balance of those named and for such person as shall be designated by the Board to replace any such nominee. However, the Board does not anticipate this will occur.

The affirmative vote of the holders of a majority of the shares present and entitled to vote at the Annual Meeting is necessary to approve the Kellogg Company 2002 Employee Stock Purchase Plan (Proposal 2) and the Kellogg Company Senior Executive Annual Incentive Plan (Proposal 3). Shares present but not voted because of abstention will have the effect of a no vote on Proposal 2 and Proposal 3. Shares subject to a broker non-vote will not be considered as present with respect to Proposal 2 or Proposal 3 and will not affect the outcome on those proposals.

Other Business

The Company does not intend to bring any business before the meeting other than that set forth in the Notice of Annual Meeting and described in this Proxy Statement. However, if any other business should properly come before the meeting, the persons named in the enclosed proxy card intend to vote in accordance with their best judgment on such business and on any matters dealing with the conduct of the meeting pursuant to the discretionary authority granted in the proxy.

Costs

The Company pays for the preparation and mailing of the Notice of Annual Meeting and Proxy Statement. We have also made arrangements with brokerage firms and other custodians, nominees, and fiduciaries for forwarding proxy-soliciting materials to the beneficial owners of the common stock of the Company at our expense.

Table of Contents**SECURITY OWNERSHIP****Five-Percent Holders**

The following table shows each person who, based upon their most recent filings with the Securities and Exchange Commission, beneficially owns more than five percent (5%) of the Company's common stock.

Beneficial Owner	Shares Beneficially Owned	Percent of Class on December 31, 2001
W. K. Kellogg Foundation Trust(1) c/o The Bank of New York Company, Inc. One Wall Street New York, NY 10286	128,037,540 shares(2)	31.4%
George Gund III 39 Mesa Street San Francisco, CA 94129	37,958,748 shares(3)	9.3%
KeyCorp 127 Public Square Cleveland, OH 44114-1306	33,853,478 shares(4)	8.35%
Capital Group International, Inc. 11100 Santa Monica Boulevard Los Angeles, CA 90025	21,467,230 shares(5)	5.3%

- (1) The trustees of the W. K. Kellogg Foundation Trust (the Trust) are Carlos M. Gutierrez, William C. Richardson, Jonathan T. Walton, and The Bank of New York. The W. K. Kellogg Foundation, a Michigan charitable corporation (the Foundation), is the sole beneficiary of the Trust. Under the terms of the Trust, if a majority of the trustees of the Trust (which majority must include the corporate trustee) are unable to agree, the Foundation has the power to direct the voting of the common stock held in the Trust. With certain limitations, the Foundation also has the power to select successor trustees of the Trust and to remove any trustee. The Trust requires that at least one trustee of the Trust be a trustee of the Foundation.
- (2) The Bank of New York is a trustee of the Trust and shares voting and investment power with respect to shares owned by the Trust with the other three trustees. The Bank of New York and its subsidiaries hold shares for various persons in various fiduciary capacities. The Bank of New York has sole voting power for 210,217 shares, shared voting power for 129,027,868 shares (including those shares beneficially owned by the Trust), sole investment power for 136,292 shares, and shared investment power for 128,115,183 shares (including those shares beneficially owned by the Trust).
- (3) George Gund III has sole voting power for 224,000 shares, shared voting power for 37,734,748 shares, and shared investment power for 7,505,492 shares. Of the shares over which Mr. Gund has shared voting and investment power, 4,163,800 shares are held by a nonprofit foundation of which Mr. Gund is one of eight trustees and one of twelve members. Mr. Gund disclaims beneficial ownership as to all 4,163,800 of these shares. Gordon Gund, a director of the Company, is a brother of George Gund III and may be deemed to share voting or investment power over 3,117,692 shares shown as beneficially owned by George Gund III, as to which shares Gordon Gund disclaims beneficial ownership.
- (4) KeyCorp, as trustee for certain Gund family trusts included under (3) above, as well as other trusts, has sole voting power for 3,548,083 shares, shared voting power for 5,100 shares (including certain of the shares beneficially owned by George Gund III), sole investment power for 33,301,846 shares, and shared investment power for 551,632 shares.
- (5) Capital Group International, Inc. is the parent holding company of a group of investment management companies, including a bank, that hold sole voting power for 18,466,740 shares and sole investment power for 21,467,230 shares. Capital Group International, Inc. disclaims beneficial ownership over these shares.

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The following table shows the number of shares of common stock of the Company beneficially owned as of February 1, 2002 (except as otherwise indicated), by each director and nominee for director, each executive officer included in the Summary Compensation Table, and all directors, nominees, and executive officers as a group.

Name	Common Stock	
	Shares Beneficially Owned(1)	Units(2)
Benjamin S. Carson, Sr.(3)	15,497	
John T. Dillon(3)	13,079	
Claudio X. Gonzalez(3)	24,178	9,370
Gordon Gund(3)(5)	37,698	32,784
Carlos M. Gutierrez(4)(6)	1,025,471	
Alan F. Harris(7)	410,178	
James M. Jenness(3)	112,079	2,557
Dorothy A. Johnson(3)	24,382	5,529
L. Daniel Jorndt(3)(8)	10,313	
Ann McLaughlin Korologos(3)	24,574	8,685
A. D. David Mackay	245,418	
William D. Perez(3)	13,555	
King T. Pouw	151,857	
Sam K. Reed	583,500	
William C. Richardson(3)(4)	17,325	8,233
John L. Zabriskie(3)	20,574	5,928
All directors, nominees, and executive officers as a group(9)(10)	3,156,609	58,925

- (1) Includes the following number of shares which the named persons have the right to acquire through exercise of an option or otherwise by April 1, 2002: Dr. Carson, 10,000 shares; Mr. Dillon, 8,750 shares; Mr. Gonzalez, 10,000 shares; Mr. Gund, 10,000 shares; Mr. Gutierrez, 878,998 shares; Mr. Harris, 374,966 shares; Mr. Jenness, 108,750 shares; Ms. Johnson, 10,000 shares; Ms. McLaughlin Korologos, 10,000 shares; Mr. Mackay, 236,400 shares; Mr. Perez, 10,000 shares; Mr. Pouw, 134,346 shares; Mr. Reed, 583,500 shares; Dr. Richardson, 10,000 shares; Dr. Zabriskie, 10,000 shares; and all directors, nominees, and executive officers as a group, 2,775,220 shares.
- (2) Represents the number of common stock units held under the Deferred Compensation Plan for Non-Employee Directors as of February 1, 2002. The units have no voting rights.
- (3) Includes the following number of shares held in the Company's Grantor Trust for Non-Employee Directors which are subject to restrictions on investment: Dr. Carson, 5,497 shares; Mr. Dillon, 3,328 shares; Mr. Gonzalez, 11,392 shares; Mr. Gund, 11,298 shares; Mr. Jenness, 3,329 shares; Ms. Johnson, 4,652 shares; Mr. Jorndt, 313 shares; Ms. McLaughlin Korologos, 11,096 shares; Mr. Perez, 3,555 shares; Dr. Richardson, 6,925 shares; Dr. Zabriskie, 8,574 shares; and all directors as a group, 70,096 shares.
- (4) Does not include shares owned by the W. K. Kellogg Foundation Trust as to which Mr. Gutierrez and Dr. Richardson, as trustees of the Trust, share voting and investment power or shares as to which the Trust or the Foundation have current beneficial interests.
- (5) Includes 10,000 shares owned by Mr. Gund's wife. Gordon Gund disclaims beneficial ownership of the shares beneficially owned by George Gund III.
- (6) Includes 2,081 shares held for the benefit of Mr. Gutierrez's children, over which he disclaims beneficial ownership, and 58,570 shares owned by Mr. Gutierrez's wife.
- (7) Includes 2,725 shares owned by Mr. Harris's wife.
- (8) As of March 1, 2002.

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(9) Includes 73,051 shares owned by spouses; 2,081 shares owned by, or held for the benefit of, children, over which the applicable director, nominee, or executive officer disclaims beneficial ownership; 33,460 shares held in the Company's Savings and Investment Plans, which contain some restrictions on investment; and 48,516 restricted shares, which contain some restrictions on investment.

(10) Represents less than one percent of the Company's issued and outstanding common stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and greater-than-10% Share Owners to file reports with the Securities and Exchange Commission (SEC). SEC regulations require the Company to identify anyone who filed a required report late during the most recent fiscal year. Based on our review of these reports and written certifications provided to the Company, we believe that all of these reporting persons timely complied with their filing requirements, except that Dorothy A. Johnson, a director, failed to timely file two reports for the reinvestment of 23 shares in 2000 and the purchase for cash of 97 shares in 2001.

Report of the Audit Committee

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee is composed of five independent directors, met five times in 2001, and operates under a written charter originally approved by the Board of Directors in 2000. Certain revisions contained in the current version, attached as Exhibit A, have been approved by the Committee and will be submitted for approval to the Board of Directors at its next meeting. Management has the primary responsibility for the financial statements and the reporting process, including the Company's systems of internal controls. As provided in the Charter, the Committee's oversight responsibilities include monitoring the integrity of the Company's financial statements (including reviewing financial information, the systems of internal controls, the audit process and the independence and performance of the Company's internal and external auditors) and the company's compliance with legal and regulatory requirements. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements to be included in the Annual Report on Form 10-K with management, including a discussion of the quality and the acceptability of the Company's financial reporting and controls.

The Committee reviewed with the independent auditors, PricewaterhouseCoopers LLP, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of the Company's financial reporting and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications With Audit Committees*.

The Committee has discussed with the independent auditors the auditors' independence from the Company and its management, including matters in the written disclosures and the letter from the independent auditors required by Independent Standards Board Standard No. 1, *Independence Discussions With Audit Committees*. The Committee also has considered whether the provision by the auditors of non-audit professional services (including professional services for financial information systems design and implementation and other services, the fees for which during 2001 are listed below) is compatible with maintaining the auditors' independence. In this regard, the Committee considered the representation of PricewaterhouseCoopers LLP that they will be spinning off their consulting unit as soon as practicable.

The Committee also discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets periodically with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and the discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year

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ended December 31, 2001, for filing with the SEC. The Committee also evaluated and recommended to the Board the reappointment of the Company's independent auditors for the Company's 2002 fiscal year.

AUDIT COMMITTEE (as of February 21, 2002)

Ann McLaughlin Korologos, Chairman
John T. Dillon
Dorothy A. Johnson
William D. Perez
John L. Zabriskie

Audit Fees

The aggregate amount of fees billed to the Company by PricewaterhouseCoopers LLP for professional services rendered for the audit of the Company's consolidated financial statements for 2001 and for reviews of the Company's financial statements included in the Company's Quarterly Reports on Form 10-Q during 2001 was approximately \$1,800,000.

Financial Information Systems Design and Implementation Fees

The aggregate amount of fees billed to the Company by PricewaterhouseCoopers LLP for professional services described in Paragraph (c)(4)(ii) of Rule 2-01 of SEC Regulation S-X which were rendered to the Company for 2001 was approximately \$14,300,000.

All Other Fees

The aggregate amount of all other fees billed to the Company by PricewaterhouseCoopers LLP for services which were rendered to the Company for 2001 was \$7,720,000. These other fees include services provided in connection with required SEC filings and other acquisition procedures, debt offerings, benefit plan audits, income tax consulting and compliance, and accounting advisory services.

Proposal 1.

ELECTION OF DIRECTORS

The Amended Restated Certificate of Incorporation and the Bylaws of the Company provide that the Board of Directors shall be comprised of not less than seven nor more than fifteen directors divided into three classes as nearly equal in number as possible and that each director shall be elected for a term of three years with the term of one class expiring each year.

Four directors are to be elected at the Annual Meeting to serve for a term ending at the 2005 Annual Meeting of Share Owners, and the proxies cannot be voted for a greater number of persons than the number of nominees named. There are currently thirteen members of the Board. Mr. Sam K. Reed is not standing for re-election and will be resigning as Vice Chairman effective March 26, 2002. The Board thanks him for his service.

The Board of Directors recommends that the Share Owners vote FOR the following nominees: Claudio X. Gonzalez, Carlos M. Gutierrez, William C. Richardson, and John L. Zabriskie. Each nominee was proposed by the Nominating and Corporate Governance Committee for consideration by the Board and presentment to the Share Owners.

Nominees for Election for a three-year term expiring at the 2005 Annual Meeting

CLAUDIO X. GONZALEZ. Mr. Gonzalez, age 67, has served as a director of the Company since 1990. In 1973, he was named Chairman of the Board and Chief Executive Officer of Kimberly-Clark de Mexico, S.A. de C.V., a producer of consumer disposable tissue products and writing and other papers. He is also a director of Kimberly-Clark Corporation; General Electric Company; The Home Depot; Investment Co. of America; Grupo ALFA; Grupo Modelo; Grupo Carso; Grupo Televisa; America Movil; and The Mexico Fund. Mr. Gonzalez is also an advisory director of Unilever NV/ PLC and is on the J. P. Morgan Chase International Advisory Council.

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CARLOS M. GUTIERREZ. Mr. Gutierrez, age 48, has served as a director of the Company since January 1999. Mr. Gutierrez is Chairman of the Board, a position he has held since April 2000, and President and Chief Executive Officer of the Company, positions he has held since April 1999. Mr. Gutierrez joined Kellogg de Mexico in 1975. He was appointed Executive Vice President and President, Kellogg Asia-Pacific in 1994, Executive Vice President-Business Development in 1996, and President and Chief Operating Officer in 1998. He is also a director of Colgate-Palmolive Company and a trustee of the W. K. Kellogg Foundation Trust.

WILLIAM C. RICHARDSON. Dr. Richardson, age 61, has served as a director of the Company since 1996. He is President and Chief Executive Officer and a member of the Board of Trustees of the W. K. Kellogg Foundation, and a trustee of the W. K. Kellogg Foundation Trust. He is also a director of CSX Corporation and The Bank of New York Company, Inc.

JOHN L. ZABRISKIE. Dr. Zabriskie, age 62, has served as a director of the Company since 1995. In 2001, he became President of Lansing Brown Investments, LLC, a firm which makes investments in start-up life science companies, as well as Chairman of the Board of Directors of MacroChem Corporation. In 1999, he retired as Chief Executive Officer of NEN Life Science Products, Inc., a position he had held since 1997. From November 1995 to January 1997, Dr. Zabriskie served as President and Chief Executive Officer of Pharmacia & Upjohn, Inc. Dr. Zabriskie is also a director of Biomira, Inc.; Cubist Pharmaceuticals, Inc.; Mimeon, Inc.; Biospecific, LLC; Nanopharma; Telenome; Puretech Ventures; Array Biopharma; and MacroChem Corporation.

Continuing Directors to serve until the 2003 Annual Meeting

JOHN T. DILLON. Mr. Dillon, age 63, has served as a director of the Company since 2000. He has been Chairman of the Board and Chief Executive Officer of International Paper Company since 1996. He is also a director of Caterpillar Inc. He is the Chairman of the Business Roundtable and National Council on Economic Education. He is a member of the Advisory Committee for Trade Policies and Negotiation and a former Chairman of the American Forest and Paper Association.

JAMES M. JENNESS. Mr. Jenness, age 55, has served as a director of the Company since 2000. He is Chief Executive Officer of Integrated Merchandising Systems, LLC, a leader in outsource management of retail promotion and branded merchandising. Before joining Integrated Merchandising Systems in 1997, Mr. Jenness served as Vice Chairman and Chief Operating Officer of the Leo Burnett Company from 1996 to 1997 and, before that, as Global Vice Chairman North America and Latin America from 1993 to 1996. Mr. Jenness is also a director of International Multifoods Corporation, Schwarz Company, and Integrated Merchandising Systems.

L. DANIEL JORNDT. Mr. Jorndt, age 60, was appointed a director of the Company in 2002. Mr. Jorndt is Chairman of the Board of Walgreen Co., the drugstore chain, a position he has held since 1999. He previously was Chief Executive Officer of Walgreen Co. from 1998 to 2002 and Chief Operating Officer and President of Walgreen Co. from 1990 to 1999.

WILLIAM D. PEREZ. Mr. Perez, age 54, has served as a director of the Company since 2000. He is President and Chief Executive Officer of S. C. Johnson & Son, Inc., a position he has held since 1997. Mr. Perez joined S. C. Johnson & Son, Inc. in 1970 and has held a number of senior positions. Mr. Perez is also a director of The May Department Stores Company and Hallmark Cards, Incorporated.

Continuing Directors to serve until the 2004 Annual Meeting

BENJAMIN S. CARSON, SR. Dr. Carson, age 50, has served as a director of the Company since 1997. He is Professor and Director of Pediatric Neurosurgery, The Johns Hopkins Medical Institutions, a position he has held since 1984. Dr. Carson is also a director of Costco Wholesale Corporation.

GORDON GUND. Mr. Gund, age 62, has served as a director of the Company since 1986. He is Chairman and Chief Executive Officer of Gund Investment Corporation, which manages diversified investment activities. Mr. Gund is the principal owner of the Cleveland Cavaliers NBA team. He is also a director of Corning Incorporated.

DOROTHY A. JOHNSON. Ms. Johnson, age 61, has served as a director of the Company since 1998. Ms. Johnson is President of Ahlburg Company, a philanthropic consulting agency, a position she has held since February 2000. In January 2000, she retired as President and Chief Executive Officer of the Council of Michigan Foundations, a position she had held since 1975. She has been a member of the Board of Trustees of the W. K. Kellogg Foundation

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since 1980. Ms. Johnson is also a director of National City Bank of Michigan/ Illinois and the Corporation for National Service.

ANN MCLAUGHLIN KOROLOGOS. Ms. McLaughlin Korologos, age 60, has served as a director of the Company since 1989. She is currently Senior Advisor to Benedetto, Gartland & Company, Inc.; Chairman Emeritus of The Aspen Institute, a nonprofit organization; Vice Chairman, RAND Board of Trustees; and former U.S. Secretary of Labor. She is also a director of Microsoft Corporation; AMR Corporation (and its subsidiary, American Airlines); Host Marriott Corporation; Fannie Mae; Harman International Industries, Inc.; and Vulcan Materials Company.

ABOUT THE BOARD OF DIRECTORS

The Board of Directors has the following standing committees: Executive Committee, Audit Committee, Compensation Committee, Finance Committee, Nominating and Corporate Governance Committee, Consumer Marketing Committee, and Social Responsibility Committee.

The Executive Committee is generally empowered to act on behalf of the Board. The Executive Committee did not meet in 2001. The members of the Executive Committee are Mr. Gutierrez, Chairman, Dr. Carson, Mr. Gonzalez, Mr. Gund, Ms. McLaughlin Korologos, Dr. Richardson, and Dr. Zabriskie.

The Audit Committee monitors the integrity of the Company's financial reporting process by reviewing financial information, internal controls, the audit process and the independence and performance of the Company's internal and external auditors. The Audit Committee also monitors the Company's compliance with legal and regulatory requirements. It met five times in 2001. The members of the Audit Committee are currently Ms. McLaughlin Korologos, Chairman, Mr. Dillon, Mr. Jorndt (as of February 22, 2002), Ms. Johnson, Mr. Perez, and Dr. Zabriskie.

The Compensation Committee reviews recommendations for compensating management personnel; determines, subject to Board approval, the compensation of the Chief Executive Officer; and provides advice and recommendations to the Board on these subjects. It met four times in 2001. The members of the Compensation Committee are Mr. Gonzalez, Chairman, Mr. Gund, Ms. McLaughlin Korologos, Dr. Richardson, and Dr. Zabriskie.

The Finance Committee reviews and makes recommendations to the Board regarding the financial and capital structure of the Company, borrowing commitments, and other significant financial matters. It met three times in 2001. The members of the Finance Committee are Dr. Zabriskie, Chairman, Mr. Dillon, Mr. Gonzalez, Mr. Gund, Mr. Jenness, Ms. Johnson, and Dr. Richardson.

The Nominating and Corporate Governance Committee advises the Board on corporate governance issues, investigates and reviews the qualifications of candidates, recommends nominees to the Board, and reviews the functioning of the Board and the fulfillment of its duties and responsibilities. It met four times in 2001. The members of the Nominating and Corporate Governance Committee are Mr. Gund, Chairman, Dr. Carson, Mr. Gonzalez, Ms. McLaughlin Korologos, and Dr. Zabriskie.

The Social Responsibility Committee investigates and reviews the manner in which the Company discharges its social responsibilities and recommends to the Board policies, programs, and procedures it deems appropriate to enable the Company to carry out and discharge fully its social responsibilities. It met two times in 2001. The members of the Social Responsibility Committee are Dr. Carson, Chairman, Mr. Jenness, Ms. Johnson, and Dr. Richardson.

The Consumer Marketing Committee reviews and makes recommendations to the Board on the Company's marketing activities. It met one time in 2001. The members of the Consumer Marketing Committee are Mr. Jenness, Chairman, Mr. Gonzalez, Mr. Gund, Ms. Johnson, Ms. McLaughlin Korologos, Mr. Perez, and Dr. Richardson.

The Board held eight meetings in 2001. All of the incumbent directors attended at least 75% of the total number of meetings of the Board and of all Board committees of which the directors were members during 2001.

Non-Employee Director Compensation and Benefits

Each non-employee director receives an annual retainer fee of \$25,000; \$1,000 for each meeting of the Board or committee of the Board attended; \$4,000 if he or she served as Chairman of a committee; and reimbursement for all expenses incurred in attending such meetings.

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Under the Non-Employee Director Stock Plan approved by Share Owners, each eligible non-employee director annually is granted options to purchase 5,000 shares of common stock and awarded 1,700 shares of common stock.

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These shares are placed in the Kellogg Company Grantor Trust for Non-Employee Directors (the Grantor Trust). Under the terms of the Grantor Trust, shares are available to a director only upon termination of service on the Board.

Under the Deferred Compensation Plan for Non-Employee Directors, non-employee directors may each year irrevocably elect to defer all or a portion of their cash compensation payable for the ensuing year. The amount deferred is credited to an account in the form of units equivalent to the fair market value of the Company s common stock. If dividends are declared by the Board, a fractional unit representing the dividend is credited to the account of each participating director. A participant s account balance is paid in cash upon termination of service as a director, over a period from one to ten years, at the election of the director.

The Company maintains Director and Officer Liability Insurance, individually insuring the directors and officers of the Company against losses that they become legally obligated to pay resulting from their actions while performing duties on behalf of the Company. The Company also maintains travel accident insurance for each director.

Prior to December 1995, the Company had a Director s Charitable Awards Program, in which each director could name up to four organizations to which the Company would contribute an aggregate of \$1 million upon the death of the director. In 1995, the Board voted to discontinue this program for directors first elected after December 1995.

In addition to the standard benefits described above, James M. Jenness was granted a non-qualified stock option to purchase what is now 100,000 shares of the Company s common stock at \$27 per share, the fair market price of the stock on July 27, 2000. This option was initially for 300,000 shares and was to have vested in three installments, but only so long as Mr. Jenness provided specified consulting services to the Company. During 2001, the Company and Mr. Jenness agreed to terminate the consulting relationship and, consequently, the unvested portion of the option terminated. The option contains the AOF feature described in footnote (4) of the Summary Compensation Table.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table provides information for the last three years concerning the compensation of the Company's Chief Executive Officer and its four other most highly compensated executive officers.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options	Long-Term Incentive Plan Payouts	
		(\$)	(\$)	(\$)(2)	(\$)(3)	(#)(4)	(\$)	(\$)(5)
Carlos M. Gutierrez	2001	887,500	1,277,600		382,500	789,763	-0-	10,880
Chairman,								
President	2000	806,250	127,500		-0-	250,000	-0-	11,847
and Chief								
Executive Officer	1999	638,750	461,700		-0-	83,037	-0-	11,647
Sam K. Reed(1)	2001	607,500	970,000		-0-	667,000	-0-	4,275,620
Vice Chairman								
A. D. David Mackay	2001	504,000	660,000	83,442	188,980	649,400	-0-	10,880
Executive Vice								
President	2000	346,667	63,000	187,067	16,498	160,000	-0-	10,680
	1999	243,750	94,050	251,179	-0-	24,200	-0-	10,400
Alan F. Harris	2001	515,000	275,000	39,538	210,000	163,545	-0-	10,880
Executive Vice								
President	2000	453,300	70,000	308,956	-0-	110,000	-0-	11,553
	1999	405,960	210,000	203,055	-0-	77,129	-0-	13,749
King T. Pouw	2001	360,075	425,000	30,882	134,520	96,127	-0-	10,880
Executive Vice								
President	2000	260,667	44,850	126,987	-0-	36,000	-0-	10,680
	1999	226,750	97,200	213,897	-0-	24,075	-0-	10,400

- (1) Sam K. Reed joined the Company and the Board in March 2001 upon the completion of the Keebler Foods Company acquisition.
- (2) Represents payments to or on behalf of Messrs. Harris, Mackay, and Pouw, primarily under the Company's Expatriate Compensation Program and their relocation and moving expenses.
- (3) Messrs. Gutierrez, Mackay, Harris, and Pouw were awarded 13,947, 6,892, 7,657, and 4,906 shares, respectively, of restricted stock in February 2001 under the Company's 2001 Long-Term Incentive Plan. These awards are valued at approximately \$419,800, \$207,450, \$230,500, and \$147,670, respectively, based on the closing price of Kellogg Company common stock on December 31, 2001. Mr. Mackay was also awarded 630 shares of restricted stock in March 2000 under the Company's 1991 Key Employee Long Term Incentive Plan. This award is valued at approximately \$18,963 based on the closing price of Kellogg Company common stock on December 31, 2001.
- (4) All the options granted contained an accelerated ownership option feature (AOF), including the AOF options described below. Under the terms of the original option grant, an AOF option is generally received when Company stock is surrendered to pay the exercise price of a stock option and related taxes. The holder of the option receives an AOF option for the number of shares surrendered. For AOF options, the expiration date is the same as the original option, and the option price is the fair market value of the Company's stock on the date the AOF option is granted. During 2001 and 1999, respectively, Messrs. Gutierrez, Harris, and Pouw received the following amounts of AOF options, included in the Summary Compensation Table, from their surrender of Kellogg Company stock to exercise an original option: Mr. Gutierrez, 222,128 and 3,037; Mr. Harris, 50,445 and 31,129; and Mr. Pouw, 21,127 and 8,375.
- (5) Mr. Reed will receive \$4,269,500 as part of a change in control bonus payment on the first anniversary of the acquisition of Keebler Foods Company, pursuant to the terms of his employment agreement. The other amounts represent Company matching contributions on behalf of each named individual to the Kellogg Company Salaried Savings and Investment Plan.

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Employment and Change in Control Agreements

The named executive officers have agreements with the Company which become operative only if a change of control (as defined therein) of the Company occurs. The agreements provide that, during the three-year period after the change of control, the officers are entitled to receive a monthly base salary at least equal to the highest monthly salary earned during the twelve months before the agreements became operative, as well as annual bonuses at least equal to the highest annual bonus received during the three years before the agreements became operative. The agreements also provide for their continued participation in benefit plans during the three-year period, with those plans to generally be no less favorable, in the aggregate, than those in effect during the one hundred twenty day period before the agreements became operative.

In addition, if during the three-year period, any of such executive officers terminates his or her employment for good reason (as defined), or if the Company terminates his or her employment for reasons other than cause or disability, he or she will generally be entitled to receive, within thirty days after termination: (a) any unpaid salary through the date of termination, as well as a pro-rata bonus for the year of termination at target or, if higher, the bonus amount described below (the Bonus Amount); (b) three times the sum of his or her annual base salary and the Bonus Amount; and (c) the actuarial equivalent of the benefit that he or she would have received for three years of additional participation under the Company's retirement plans. The bonus amounts used to determine the amounts described in clauses (a) and (b) above are both equal to the highest of (1) the highest annual bonus earned for the three most recent years ended before the agreement became operative, and (2) the most recent bonus (if any) earned for a year ended after the agreement became operative. A terminated executive officer would also continue to participate in the Company's welfare benefit plans for three years after termination, would be eligible for continued vesting of his or her equity awards during this three-year period, and would receive outplacement benefits.

In addition, under these agreements, the Company is obligated to pay each such executive officer a gross up payment to make him or her whole for any federal excise taxes on excess parachute payments owed on such severance payments and benefits or any other payments and benefits from the Company.

Mr. Harris has an agreement with the Company providing that if his employment is terminated by the Company under certain conditions, or if he is required to relocate outside the United States, prior to July 1, 2004, he would be entitled to receive severance pay equal to the greater of two times the average of his prior two years' base pay and actual bonus, or two times his salary and target bonus for the year in which the termination occurs, less applicable deductions. In the event a change of control occurs, Mr. Harris would generally receive the benefits described in the first two paragraphs of this Section in lieu of the payments described in this paragraph.

Mr. Mackay has an agreement with the Company providing that if his employment is terminated by the Company under certain conditions prior to August 1, 2005, he would be entitled to severance pay equal to two years of salary and target bonus for the year in which the termination occurs. In the event of a change in control, Mr. Mackay would generally receive the benefits described in the first two paragraphs of this Section in lieu of the payments described in this paragraph.

Mr. Reed, current Vice Chairman of the Company, has an agreement with the Company entered into in connection with the acquisition of Keebler Foods Company. Under the agreement, Mr. Reed was to be eligible to receive a base salary of at least \$810,000, be eligible for a target annual bonus of 80% of his base salary, and receive the change in control bonus payment shown in the Summary Compensation Table one year after completion of the acquisition. He also received an option to purchase 500,000 shares of the Company's common stock at the fair market value on the grant date, with portions of those options to vest on specified dates if certain performance measures were achieved, but with all of the options to vest one year after completion of the acquisition if his employment had not previously terminated. These options have the right to receive an AOF option described on page 10 only to the extent he is an active employee when exercised. The agreement also provided that, if during the one-year period after completion of the acquisition, Mr. Reed's employment was terminated by the Company for reasons other than cause (as defined) or by Mr. Reed for good reason (as defined), he was to receive specified amounts and certain other benefits. The agreement also provides that Mr. Reed is to receive a gross up payment to make him whole for any federal excise taxes on excess parachute payments owed on any such amounts.

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The following table provides information regarding stock options granted during 2001 to the persons named in the Summary Compensation Table.

Individual Grants

Name	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year (%)	Exercise Price (\$/Share)	Expiration Date	Grant Date Present Value (\$)(3)
C. M. Gutierrez	110,000	0.6	\$ 26.30	1/31/10(2)	\$ 818,000
	567,400	3.3	\$27.425	2/16/11	4,403,000
	112,128	0.7	\$29.825	1/31/10(2)	946,000
S. K. Reed	167,000	1.0	\$ 26.19	3/26/11	\$1,237,000
	500,000	2.9	\$ 26.19	3/26/11	3,705,000
A. D. D. Mackay	149,000	0.9	\$27.425	2/16/11	\$1,156,000
	500,000	2.9	\$ 26.19	3/26/11	3,705,000
A. F. Harris	113,100	0.7			