

K12 INC
Form SC 13D
February 04, 2011

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

SCHEDULE 13D

**Under the Securities Exchange Act of 1934
(Amendment No.)***

K12 Inc.

(Name of Issuer)

Common Stock, Par Value \$0.0001 Per Share

(Title of Class of Securities)

48273U 102

(CUSIP Number)

Scott R. Haber

Latham & Watkins LLP

505 Montgomery Street, Suite 2000

San Francisco, CA 94111

(415) 391-0600

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

January 27, 2011

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Learning Group LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

WC

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Delaware

SOLE VOTING POWER

7

NUMBER OF 4,665,083 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0 shares

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 4,665,083 shares

WITH SHARED DISPOSITIVE POWER

10

0 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

4,665,083 shares

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

15.0%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Learning Group Partners

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

California

SOLE VOTING POWER

7

NUMBER OF 399,171 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0 shares

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 399,171 shares

WITH SHARED DISPOSITIVE POWER

10

0 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

399,171 shares

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

1.3%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

PN

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Hampstead Associates, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Delaware

SOLE VOTING POWER

7

NUMBER OF 1,522 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0 shares

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 1,522 shares

WITH SHARED DISPOSITIVE POWER

10

0 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

1,522 shares

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

Less than 0.1%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Cornerstone Financial Group LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

AF, WC

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

California

SOLE VOTING POWER

7

NUMBER OF 0 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

0 shares

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0 shares

WITH SHARED DISPOSITIVE POWER

10

0 shares

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

0 shares

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1 Knowledge Industries LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2 (a)
(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4 AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6 California

SOLE VOTING POWER

7

NUMBER OF 0 shares

SHARED VOTING POWER

8 SHARES BENEFICIALLY OWNED BY

0 shares

SOLE DISPOSITIVE POWER

9 EACH REPORTING

PERSON 0 shares

WITH SHARED DISPOSITIVE POWER

10

0 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

0 shares

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

0%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1 Knowledge Universe Learning Group LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2 (a)
(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4 AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6 Delaware

SOLE VOTING POWER

7

NUMBER OF 4,374 shares

SHARED VOTING POWER

8

OWNED BY 7,415,083 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

SOLE DISPOSITIVE POWER

9 EACH

REPORTING

PERSON 4,374 shares

WITH SHARED DISPOSITIVE POWER

10

7,415,083 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

7,419,457 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

21.9%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010, assuming the conversion of the Special Stock into shares of Common Stock. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Knowledge Universe LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

California

SOLE VOTING POWER

7

NUMBER OF 0 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

1,522 shares

SOLE DISPOSITIVE POWER

EACH REPORTING 9

PERSON 0 shares

WITH SHARED DISPOSITIVE POWER

10

1,522 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

1,522 shares

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

Less than 0.1%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

KCDL Holdings LLC

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

Delaware

SOLE VOTING POWER

7

NUMBER OF 2,750,000 shares (Common Stock issuable upon conversion of Series A Special Stock)

SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

8

SHARED VOTING POWER

0 shares

SOLE DISPOSITIVE POWER

9

PERSON 2,750,000 shares (Common Stock issuable upon conversion of Series A Special Stock)

WITH SHARED DISPOSITIVE POWER

10

0 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

2,750,000 shares (Common Stock issuable upon conversion of Series A Special Stock)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

8.1%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

OO

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010, assuming the conversion of the Special Stock into shares of Common Stock. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1
Lowell J. Milken

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2
(a)
(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4
AF, PF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6
USA

SOLE VOTING POWER

7

NUMBER OF 61,895 shares

SHARED VOTING POWER

SHARES BENEFICIALLY OWNED BY 8

7,820,150 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

SOLE DISPOSITIVE POWER

EACH 9

REPORTING

PERSON 61,895 shares

WITH SHARED DISPOSITIVE POWER

10

7,820,150 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

7,882,045 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

23.3%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

IN

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010, assuming the conversion of the Special Stock into shares of Common Stock. See Item 5 of this Schedule 13D.

CUSIP No. 48273U 102

NAMES OF REPORTING PERSONS

1

Michael R. Milken

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

2

(a)

(b)

SEC USE ONLY

3

SOURCE OF FUNDS (SEE INSTRUCTIONS)

4

AF

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5

CITIZENSHIP OR PLACE OF ORGANIZATION

6

USA

SOLE VOTING POWER

7

NUMBER OF

0 shares

SHARES
BENEFICIALLY

8

SHARED VOTING POWER

OWNED BY

7,820,150 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

EACH

9

SOLE DISPOSITIVE POWER

REPORTING

PERSON 0 shares

WITH SHARED DISPOSITIVE POWER

10

7,820,150 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11

7,820,150 shares (includes 2,750,000 shares of Common Stock issuable upon conversion of Series A Special Stock)

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

23.1%*

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

14

IN

* Percentage ownership based on shares of Common Stock outstanding as of December 20, 2010, assuming the conversion of the Special Stock into shares of Common Stock. See Item 5 of this Schedule 13D.

The Reporting Persons (other than KCDL (as defined below)) have previously filed statements on Schedule 13G related to the common stock, par value \$0.0001 per share (the Common Stock), of K12 Inc., a Delaware corporation (the Company). The Reporting Persons are filing this Schedule 13D as a result of the acquisition of beneficial ownership of shares of Common Stock by KCDL described herein, and will continue to report on Schedule 13D unless and until the Reporting Persons become eligible to report on Schedule 13G in the future. This Schedule 13D supersedes the previously filed statements on Schedule 13G and constitutes Amendment No. 3 to the Schedule 13G.

Item 1. Security and Issuer

This Schedule 13D relates to the Common Stock of the Company. The address of the principal executive office of the Company is 2300 Corporate Park Drive, Herndon, Virginia 20171.

Item 2. Identity and Background

This Schedule 13D is being filed by Learning Group LLC, a Delaware limited liability company (Learning Group), Learning Group Partners, a California general partnership (Learning Group Partners), Hampstead Associates, L.L.C., a Delaware limited liability company (Hampstead), Cornerstone Financial Group LLC, a California limited liability company (Cornerstone), Knowledge Industries LLC, a California limited liability company (Knowledge Industries), Knowledge Universe Learning Group LLC, a Delaware limited liability company (KULG), Knowledge Universe LLC, a California limited liability company (formerly known as Ridgeview Associates, LLC) (KU), KCDL Holdings LLC, a Delaware limited liability company (KCDL), Lowell J. Milken and Michael R. Milken.

Learning Group, Learning Group Partners, Hampstead, Cornerstone, Knowledge Industries, KULG, KU, KCDL, Lowell J. Milken and Michael R. Milken are collectively referred to herein as the Reporting Persons. The agreement among the Reporting Persons relating to the joint filing of this statement is attached as Exhibit 1 hereto. The address of the principal office of Reporting Persons is 1250 Fourth Street, Santa Monica, California 90401.

The principal business of Learning Group, Learning Group Partners, Knowledge Industries, KULG, Cornerstone and Hampstead is to acquire interests in, directly or indirectly, and/or operate other companies and businesses primarily, but not limited to, companies and businesses engaged in education. The principal business of KU is to act as the manager and as a member of Hampstead. The principal business of KCDL is to hold the Special Stock (as defined below). The principal activities of Michael R. Milken are philanthropy and to serve as a director and officer of KUE Management Inc., the general partner of Knowledge Universe Education L.P. (KUE). The principal activities of Lowell J. Milken are philanthropy and to serve as a director and officer of Knowledge Universe Limited LLC and KUE-related entities. The principal activity of KUE is to engage in for-profit activities involving the education field, including through its ownership of Learning Group and KCDL. The address of the principal office of KUE Management Inc. and KUE is 1250 Fourth Street, Santa Monica, California 90401. Lowell J. Milken and Michael R. Milken are United States citizens.

The name, citizenship, business address, present principal occupation or employment and, if applicable, the name, principal business and address of any corporation or other organization in which such employment is conducted, of the executive officers, if any, managers, if any, and directors, if any, of the Reporting Persons are set forth in Appendix I hereto, which is incorporated herein by reference.

During the last five years, none of the Reporting Persons or, to the best knowledge of the Reporting Persons, any of the individuals named in Appendix I, has been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors), or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding is or was subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

The shares of Common Stock held by the Reporting Persons are held of record by Learning Group, Learning Group Partners, Hampstead, KULG and Mr. Lowell J. Milken, respectively. The shares of Special Stock held by the Reporting Persons are held of record by KCDL. Cornerstone and Knowledge Industries previously held shares of Common Stock but as of the date hereof do not hold, directly or indirectly, any shares of Common Stock.

The amount of funds used to purchase the shares of Common Stock held directly by Learning Group was approximately \$25,151,800. The source of the funds was working capital.

The shares of Common Stock held directly by Learning Group Partners were acquired through an affiliate of Learning Group Partners for approximately \$2,278,200 and subsequently transferred to Learning Group Partners. The source of the funds was working capital of the affiliate.

The shares of Common Stock held directly by Hampstead were acquired through an affiliate of Hampstead for approximately \$7,800 and subsequently transferred to Hampstead. The source of the funds was working capital of the affiliate.

Of the shares previously held by Cornerstone, 1,371 shares of Common Stock were acquired upon cashless exercise of a warrant issued to Cornerstone in connection with debt financing provided by Cornerstone to the Company in 2003, and 82,503 shares of Common Stock were acquired upon cashless exercise of a warrant which was originally issued to an affiliate of Cornerstone that provided debt financing to the Company in 2001 and which was subsequently transferred to Cornerstone. The sources of the respective debt financings were working capital of Cornerstone and working capital of such affiliate.

The shares of Common Stock previously held by Knowledge Industries were acquired upon cashless exercise of a warrant. The warrant was originally issued to an affiliate of Knowledge Industries that provided debt financing to the Company in 2001 and was subsequently transferred to Knowledge Industries. The source of the debt financing was working capital of the affiliate.

The shares of Common Stock held directly by KULG were acquired upon cashless exercise of a warrant. The warrant was originally issued to an affiliate of KULG that provided debt financing to the Company in 2003 and was subsequently transferred to KULG. The source of the debt financing was working capital of the affiliate.

Of the shares held directly by Mr. Lowell J. Milken, 20,000 shares of Common Stock were acquired in August 2008 upon exercise of stock options that he was granted as a director of the Company for approximately \$141,600. The source of the funds was personal funds. Mr. Lowell J. Milken directly acquired 41,895 shares of Common Stock in February 2011 upon a *pro rata* distribution by Cornerstone of its shares of the Company to its members.

The shares of Series A Special Stock, par value \$0.0001 per share (the Special Stock), held by KCDL were acquired pursuant to an Agreement and Plan of Merger, dated as of July 23, 2010 (the Merger Agreement), among the Company, Kayleigh Sub Two LLC (LLC Merger Sub), Kayleigh Sub One Corp. (Corporate Merger Sub), KCDL and KC Distance Learning, Inc. (KC Distance), pursuant to which the Company acquired by merger of all of the equity interests of KC Distance from KCDL. As consideration for the acquisition, the Company issued a total of 2,750,000 shares of Special Stock to KCDL. As of July 23, 2010, the estimated value of the consideration exchanged for the Special Stock was \$63,112,500. The Merger Agreement is attached as Exhibit 2 hereto and incorporated by reference herein.

Item 4. Purpose of the Transaction

The Common Stock and Special Stock held by the Reporting Persons was acquired for investment purposes. The Reporting Persons intend to review continuously their equity position in the Company and, subject to the Stockholders Agreement and depending upon price and availability, subsequent developments affecting the Company, the Company's business and prospects, other investment and business opportunities available to the Reporting Persons, general stock market and economic conditions, tax considerations and other factors deemed relevant, the Reporting Persons may decide to increase, decrease or maintain the size of their investment in the Company.

Although the foregoing reflects activities presently contemplated by the Reporting Persons and any other person named in Item 2, above, with respect to the Company, the foregoing is subject to change at any time. Except as set forth above, the Reporting Persons have no present plans or intentions which would result in or relate to any of the transactions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

The Reporting Persons beneficially own an aggregate of 7,882,045 shares of Common Stock, including 5,132,045 shares of Common Stock and 2,750,000 shares of Special Stock which is convertible into 2,750,000 shares of Common Stock. The shares of Common Stock and Special Stock beneficially owned by Reporting Persons represent, in the aggregate, approximately 23.3% of the outstanding Common Stock, assuming the conversion of the Special Stock into shares of Common Stock. The percentages of beneficial ownership in this Schedule 13D are based on an aggregate of 31,102,258 shares of Common Stock outstanding as of December 20, 2010. Unless otherwise stated, the percentage ownership amounts stated herein are based on the outstanding Common Stock and do not assume the conversion of the Special Stock into shares of Common Stock.

Learning Group holds directly 4,665,083 shares of Common Stock, representing approximately 15.0% of the outstanding Common Stock.

KULG holds directly 4,374 shares of Common Stock, representing less than 0.1% of the outstanding Common Stock. KULG also may be deemed to be a controlling person of Learning Group and KCDL, and in such capacity may be deemed to have the power to direct the voting and disposition of, and to share beneficial ownership of, the securities owned of record by Learning Group and KCDL. The shares of Common Stock that KULG may be deemed to hold directly and indirectly represent approximately 21.9% of the outstanding Common Stock, assuming the conversion of the Special Stock into shares of Common Stock.

Learning Group Partners holds directly 399,171 shares of Common Stock, representing approximately 1.3% of the outstanding Common Stock.

Hampstead holds directly 1,522 shares of Common Stock, representing less than 0.1% of the outstanding Common Stock. KU is the manager and a member of Hampstead, and in such capacities may be deemed to have the power to direct the voting and disposition of, and to share beneficial ownership of, the 1,522 shares of Common Stock owned of record by Hampstead, representing less than 0.1% of the outstanding Common Stock.

As of December 31, 2010, Cornerstone held directly 83,874 shares of Common Stock, representing approximately 0.3% of the outstanding Common Stock. On February 2, 2011, Cornerstone made a *pro rata* distribution of 83,874 shares of Common Stock to its members, including 41,895 shares of Common Stock to Lowell J. Milken and the remaining shares of Common Stock to other individuals who are not Reporting Persons, and ceased to be a Reporting Person. As of the date hereof, Cornerstone does not hold, directly or indirectly, any shares of Common Stock. On December 31, 2010, Knowledge Industries made a gift to a non-profit foundation of the 82,503 shares of Common Stock it held directly, representing approximately 0.3% of the outstanding Common Stock, and ceased to be a Reporting Person. As of the date hereof, Knowledge Industries does not hold, directly or indirectly, any shares of Common Stock.

KCDL holds directly 2,750,000 shares of Special Stock which are convertible into 2,750,000 shares of Common Stock, representing approximately 8.1% of the outstanding Common Stock, assuming the conversion of the Special Stock into shares of Common Stock. The shares of Special Stock were issued on July 23, 2010. At a special meeting of stockholders of the Company held on January 27, 2011, the holders of a majority of the outstanding shares of Common Stock approved the voting rights and rights of conversion of the Special Stock, and from and after such approval the Special Stock has been and is entitled to vote on all matters presented to the holders of Common Stock (other than for the election and removal of directors, on which the holders of Special Stock have no vote) and the Special Stock is convertible into an equal number of shares of Common Stock.

Lowell J. Milken directly holds 61,895 shares of Common Stock, representing approximately 0.2% of the outstanding Common Stock. Lowell J. Milken may be deemed to be a controlling person of each of Learning Group, KULG, Learning Group Partners, Hampstead, KU, Cornerstone and KCDL and in such capacity may be deemed to have the power to direct the voting and disposition of, and to share beneficial ownership of, an aggregate of 7,820,150 shares of Common Stock beneficially owned by such entities, but disclaims such beneficial ownership. The shares of Common Stock which Lowell J. Milken owns directly and which he may be deemed to own indirectly represent approximately 23.3% of the outstanding Common Stock, assuming the conversion of the Special Stock into shares of Common Stock.

Michael R. Milken may be deemed to be a controlling person of each of Learning Group, KULG, Learning Group Partners, Hampstead, KU, Knowledge Industries and KCDL, and in such capacity may be deemed to have the power to direct the voting and disposition of, and to share beneficial ownership of, an aggregate of any 7,820,150 shares of Common Stock beneficially owned by such entities (which represent approximately 23.1% of the outstanding shares of Common Stock, assuming the conversion of the Special Stock into shares of Common Stock), but disclaims such beneficial ownership.

The persons named in Item 5 of this Schedule 13D may be deemed to be a group with respect to the securities of the Company which they hold directly or indirectly. Such persons disclaim such group membership.

Except as described herein, none of the Reporting Persons or any other person named in Item 2, above, has effected any transactions in the Shares in the past 60 days. Except as described in this Item 5, no person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Shares covered by this Schedule 13D.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

On July 23, 2010, the Company entered into the Merger Agreement. Pursuant to the terms of the Merger Agreement, (i) KC Distance merged with Corporate Merger Sub, with KC Distance continuing as the surviving corporation of the merger (the First Merger), and (ii) immediately after the First Merger, KC Distance (as the surviving corporation of the First Merger) merged with LLC Merger Sub, with LLC Merger Sub continuing as the surviving entity of the merger (the Second Merger and together with the First Merger, the Mergers). The Mergers were consummated on July 23, 2010 following the execution of the Merger Agreement. As a result of the Mergers, the surviving entity of the Second Merger is now a wholly-owned subsidiary of the Company. As consideration in the First Merger, the Company issued a total of 2,750,000 shares of Special Stock to KCDL. The shares of Special Stock have the terms described below. The Merger Agreement includes a customary adjustment for the net working capital and closing debt of KC Distance as of the closing of the Mergers.

The Company designated the Special Stock in a Certificate of Designations, Preferences and Relative and Other Special Rights of Series A Special Stock (the Series A Certificate of Designations). The Series A Certificate of Designations was filed with the Secretary of State of the State of Delaware and became effective on July 23, 2010. At a special meeting of stockholders of the Company held on January 27, 2011, the holders of the outstanding shares of Common Stock approved the voting rights and rights of conversion of the Special Stock, and from and after such approval the Special Stock has been and is entitled to vote on all matters presented to the holders of Common Stock (other than for the election and removal of directors, on which the holders of Special Stock have no vote) and the Special Stock is convertible into an equal number of shares of Common Stock, subject to anti-dilution adjustments, at the election of the holder or automatically upon (i) a transfer of the shares of

Special Stock to any person or entity other than KCDL or an affiliate of KCDL who has signed a joinder to the Stockholders Agreement or (ii) at the close of business on the date, if any, as such holder of the Special Stock has received all consents and approvals required under (A) applicable non-competition, restraint of trade or pre-acquisition notification laws, (B) control share and other anti-takeover laws, and (C) the Delaware General Corporation Law, for such holder to acquire and own all of the shares of Common Stock issuable upon such conversion of all shares of Special Stock held by such holder.

Concurrently with the execution of the Merger Agreement, the Company, LLC Merger Sub, Corporate Merger Sub, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone entered into a Voting Agreement dated as of July 23, 2010 (the Voting Agreement). Pursuant to the terms of the Voting Agreement, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone agreed to vote in favor of the approval of voting and conversion rights of the Special Stock by the Company's stockholders.

Concurrently with the execution of the Merger Agreement, KCDL, Learning Group, Learning Group Partners, Knowledge Industries, Cornerstone and the Company entered into a Stockholders Agreement dated as of July 23, 2010 (the Stockholders Agreement). Pursuant to the Stockholders Agreement, KCDL, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone agreed to a standstill limitation regarding actions related to the acquisition of shares of voting securities of the Company for a term of one year. In addition, pursuant to the Stockholders Agreement, KCDL, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone agreed to transfer restrictions on their shares of stock of the Company (including the Special Stock) for a term of up to one year from the date of the closing of the Mergers, and the Company granted KCDL, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone demand registration rights related to the shares acquired in the Mergers.

Concurrently with the execution of the Merger Agreement, Learning Group gave a limited guarantee (the Limited Guarantee) in favor of the Company and KC Distance Learning. Pursuant to the Limited Guarantee, Learning Group guaranteed to the Company and KC Distance Learning the payment, performance and discharge of certain contingent obligations of KCDL under the Merger Agreement.

Concurrently with the execution of the Merger Agreement, the Company, KCDL, KC Distance Learning and KUE, an affiliate of KCDL, entered into a Non-Competition and Non-Solicitation Agreement dated as of July 23, 2010 (the Non-Competition and Non-Solicitation Agreement), pursuant to which KUE agreed that, until July 23, 2013, neither it nor its direct and indirect controlled subsidiaries, including KCDL and Learning Group, would (i) operate, own or manage any business which directly competes with the business of KC Distance Learning, except ownership, operation or management of certain permitted investments, and (ii) directly or indirectly recruit or solicit for employment, hire or employ, or induce or attempt to induce any termination of employment or hiring of certain specified protected employees, including employees of KC Distance Learning.

The Merger Agreement, Series A Certificate of Designations, Voting Agreement, Stockholders Agreement, Limited Guarantee and Non-Competition and Non-Solicitation Agreement are attached as Exhibit 2, Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6 and Exhibit 7, respectively, to this Schedule 13D. The summary descriptions of the Merger Agreement, Series A Certificate of Designations, Voting Agreement, Stockholders Agreement, Limited Guarantee and Non-Competition and Non-Solicitation Agreement in this Schedule 13D do not purport to be complete and are qualified in their entirety by reference to each such agreement or instrument, each of which is incorporated herein by reference.

Item 7. Material Exhibits to be Filed.

- Exhibit 1: Joint Filing Agreement dated as of February 4, 2011
- Exhibit 2: Merger Agreement by and among the Company, LLC Merger Sub, Corporate Merger Sub, KCDL and KC Distance Learning (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 3: Series A Certificate of Designations (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 4: Voting Agreement dated as of July 23, 2010 among the Company, KCDL, Learning Group, Learning Group Partners, Knowledge Industries, Cornerstone and the other parties thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 5: Stockholders Agreement dated as of July 23, 2010 among the Company, KCDL, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 6: Limited Guarantee dated as of July 23, 2010 among the Company, KC Distance Learning and KCDL
- Exhibit 7: Non-Competition and Non-Solicitation Agreement dated as of July 23, 2010 among the Company, KCDL, KC Distance Learning and KUE
[Signature Page Follows]

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this Statement is true, complete and correct.

Dated: February 4, 2011

Learning Group LLC,
a Delaware limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Learning Group Partners,
a California general partnership

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Hampstead Associates, L.L.C.,
a Delaware limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Cornerstone Financial Group LLC,
a California limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Knowledge Industries LLC,
a California limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Knowledge Universe Learning Group LLC,
a Delaware limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

Knowledge Universe LLC,
a California limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Secretary

Dated: February 4, 2011

KCDL Holdings LLC,
a Delaware limited liability company

/s/ Stanley E. Maron
By: Stanley E. Maron,
Its: Manager

Dated: February 4, 2011

/s/ Lowell J. Milken
Lowell J. Milken,
an individual

Dated: February 4, 2011

/s/ Michael R. Milken
Michael R. Milken,
an individual

APPENDIX I

The following are the names, principal occupation or employment and, if applicable, the name, principal business and address of any corporation or other organization in which such employment is conducted, of the individual directors, executive officers and managers, if any, of each of the Reporting Persons. Each individual listed below is a United States citizen.

The Managers of Learning Group LLC are Michael R. Milken and Lowell J. Milken.

The Managing Partners of Learning Group Partners are Michael R. Milken and Lowell J. Milken.

The Manager of Cornerstone Financial Group LLC is Stanley E. Maron. Mr. Maron's principal occupation is a partner in the law firm of Maron & Sandler, P.C. The business address of Mr. Maron and the address of Maron & Sandler, P.C. is 1250 Fourth Street, Suite 550, Santa Monica, California 90401.

The Manager of Knowledge Industries LLC is Ralph Finerman. Mr. Finerman's principal occupation is President of RFG Financial Group Inc., which is a financial consulting firm. The business address of Mr. Finerman and the address of RFG Financial Group is 1250 Fourth Street, Suite 580, Santa Monica, California 90401.

The Directors of Knowledge Universe Learning Group LLC are Steven J. Green, Jeffrey M. Safchik, Mr. Finerman, Mr. Maron and Michael R. Milken, who also serves as President. Mr. Green's principal occupation is an investor and his business address is 2601 South Bayshore Drive, Suite 800, Coconut Grove, Florida 33133. Mr. Safchik's principal occupation is Managing Director and Chief Financial Officer of Greestreet Partners, L.P., the principal business of which is investment and management. The business address of Mr. Safchik and the address of Greestreet Partners, L.P. is 2601 South Bayshore Drive, Suite 800, Coconut Grove, Florida 33133.

The Managers of Knowledge Universe LLC are Michael R. Milken and Lowell J. Milken.

The Manager of KCDL Holdings LLC is Stanley E. Maron.

EXHIBIT INDEX

- Exhibit 1: Joint Filing Agreement dated as of February 4, 2011
- Exhibit 2: Merger Agreement by and among the Company, LLC Merger Sub, Corporate Merger Sub, KCDL and KC Distance Learning (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 3: Series A Certificate of Designations (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 4: Voting Agreement dated as of July 23, 2010 among the Company, KCDL, Learning Group, Learning Group Partners, Knowledge Industries, Cornerstone and the other parties thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 5: Stockholders Agreement dated as of July 23, 2010 among the Company, KCDL, Learning Group, Learning Group Partners, Knowledge Industries and Cornerstone (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on July 26, 2010)
- Exhibit 6: Limited Guarantee dated as of July 23, 2010 among the Company, KC Distance Learning and KCDL
- Exhibit 7: Non-Competition and Non-Solicitation Agreement dated as of July 23, 2010 among the Company, KCDL, KC Distance Learning and KUE

urities in the ordinary course of its trade or business (a Financial Institution) holds the notes on behalf of the beneficial owner and certifies to us or our agent, under penalties of perjury, that such a certification has been received from the beneficial owner by it, or by a Financial Institution between it and the beneficial owner, and furnishes us with a copy thereof.

The requirements set forth in the bulleted clauses above are known as the Portfolio Interest Exception.

If a Non-U.S. Holder cannot satisfy the requirements of the Portfolio Interest Exception, payments of interest made to such Non-U.S. Holder will be subject to 30% U.S. federal withholding tax unless the beneficial owner of the note provides us or our agent, as the case may be, with a properly executed:

IRS Form W-8BEN (or successor form) claiming, under penalties of perjury, an exemption from, or reduction in, withholding under a tax treaty (a Treaty Exemption), or

IRS Form W-8 ECI (or successor form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with a U.S. trade or business of the beneficial owner (in which case such interest will be subject to regular graduated U.S. tax rates described below).

The certification requirement described above also may require a Non-U.S. Holder that provides an IRS form or that claims a Treaty Exemption to provide its U.S. taxpayer identification number.

Each Non-U.S. Holder is urged to consult its own independent tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that statements on the form are false.

If interest on the notes is effectively connected with a U.S. trade or business of the Non-U.S. Holder (and if required by an applicable treaty, attributable to a U.S. permanent establishment), the Non-U.S. Holder, although exempt from the withholding tax described above (provided that the certification requirements described above are satisfied), will be subject to U.S. federal income tax on such interest on a net income basis in the same manner as if it were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation and interest on the note is effectively connected with its U.S. trade or business (and if required by applicable treaty, attributable to a U.S. permanent establishment), such Holder may be subject to a branch profits tax equal to 30% (unless reduced by treaty) in respect of such interest.

Disposition

Except with respect to accrued and unpaid interest, a Non-U.S. Holder will not be subject to the United States federal income tax on gain realized on the sale, exchange or other disposition of the notes, unless (a) that Holder is an individual who is present in the United States for 183 days or more during the taxable year and certain other requirements are met or (b) the gain is effectively connected with the conduct of a United States trade or business of the Holder (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base). Accrued and unpaid interest realized on a sale, exchange or other disposition of a note will be subject to U.S. federal income tax to the extent interest would have been subject

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to U.S. federal income tax as described under U.S. federal income taxation of Non-U.S. Holders Payments of interest.

Information reporting and backup withholding

We will, where required, report to Holders and the IRS the amount of any interest paid on the notes in each calendar year and the amounts of federal tax withheld, if any, with respect to payments. A non-corporate U.S. holder may be subject to information reporting and to backup withholding at a current rate of 28% with respect to payments of principal and interest made on offered debt, or on proceeds of the disposition of the notes before maturity, unless that U.S. Holder provides a correct taxpayer identification number or proof of an applicable exemption, and otherwise complies with applicable requirements of the information reporting and backup withholding rules.

Under the Treasury Regulations, backup withholding and information reporting will not apply to payments made by us or any agent thereof (in its capacity as such) to a Non-U.S. Holder if such Non-U.S. Holder has provided the required certification that it is not a U.S. person on the form W-8BEN or has otherwise established an exemption (provided that neither Kellogg nor its agent has actual knowledge that such holder is a U.S. person or that the conditions of any exemption are not in fact satisfied).

Payments of the proceeds from the sale of the notes to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except if the broker is (1) a U.S. person, (2) a controlled foreign corporation, (3) a foreign person 50% or more of whose gross income for certain periods is effectively connected with a United States trade or business or (4) a foreign partnership, if at any time during its taxable year, one or more of its partners are United States persons who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its taxable year, the foreign partnership is engaged in a United States trade or business, unless the Non-U.S. Holder establishes an exception as specified in the Treasury Regulations regarding backup withholding and information reporting, as applicable. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules will be refunded or credited against the Non-U.S. Holder's United States Federal income tax liability, provided that the required information is furnished to the Internal Revenue Service. Non-U.S. Holders should consult their own tax advisors regarding the effect, if any, of the Treasury Regulations on their particular situation.

Table of Contents**Underwriting**

Under the terms and subject to the conditions contained in an underwriting agreement dated as of the date of this prospectus supplement, the underwriters named below, for whom Banc of America Securities LLC and Citigroup Global Markets Inc. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the principal amount of the notes set forth opposite its name below:

Underwriter		Principal amount of notes
Banc of America Securities LLC	\$	243,750,000
Citigroup Global Markets Inc.		243,750,000
Deutsche Bank Securities Inc.		45,000,000
HSBC Securities (USA) Inc.		45,000,000
BNP PARIBAS Securities Corp.		22,500,000
Fifth Third Securities, Inc.		22,500,000
Fortis Securities LLC		22,500,000
Lloyds TSB Bank plc		22,500,000
Mitsubishi UFJ Securities International plc		22,500,000
Rabo Securities USA, Inc.		22,500,000
SG Americas Securities, LLC		22,500,000
The Williams Capital Group, L.P.		15,000,000
Total	\$	750,000,000

The underwriters are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the notes offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the notes offered by this prospectus supplement if any such notes are taken.

The underwriters initially propose to offer part of the notes directly to the public at the offering prices described on the cover page of this prospectus supplement. In addition, the underwriters initially propose to offer the notes to certain dealers at prices that represent a concession not in excess of 0.200% of the principal amount of the notes. Any underwriter may allow, and any such dealer may reallow, a concession not in excess of 0.175% of the principal amount of the notes to certain other dealers. After the initial offering of the notes, the underwriters may from time to time vary the offering price and other selling terms.

The following table shows the underwriting discount that we will pay to the underwriters in connection with the offering of the notes:

Paid by Kellogg

Per Note			0.350%
Total		\$	2,625,000

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We have also agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments which the underwriters may be required to make in respect of any such liabilities.

In connection with the offering of the notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallocate in connection with the offering of the notes, creating syndicate short positions. In addition, the underwriters may bid for and purchase notes in the open market to cover syndicate short positions or to stabilize the price of the notes. Finally, the underwriting syndicate may reclaim selling concessions allowed for distributing the notes in the offering of the notes, if the syndicate repurchases previously distributed notes in syndicate covering transactions, stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The underwriters are not required to engage in any of these activities, and may end any of them at any time. The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for listing of the notes on any securities exchange or quotation on an automated dealer quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice.

Each of Lloyds TSB Bank plc and Mitsubishi UFJ Securities International plc is not a U.S. registered broker-dealer and, therefore, to the extent it intends to effect any sales of the notes in the United States, it will do so through one or more U.S. registered broker-dealers as permitted by regulations promulgated under the Securities Exchange Act of 1934.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Member State, it has not made and will not make an offer of notes to the public in that Member State except that it may, with effect from and including such date, make an offer of notes to the public in that Member State:

at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 343,000,000; and (3) an annual net turnover of more than 350,000,000, as shown in its last annual or consolidated accounts; or

at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of notes to the public in relation to any notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the

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expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

Each underwriter has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the notes in circumstances in which Section 21(1) of such Act does not apply to us and (b) it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Expenses associated with this offering to be paid by us, other than underwriting discounts, are estimated to be approximately \$250,000.

From time to time in the ordinary course of their respective businesses, certain of the underwriters and their affiliates have engaged in and may in the future engage in commercial banking, derivatives and/or financial advisory, investment banking and other commercial transactions and services with us and our affiliates.

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Legal matters

The validity of the notes offered hereby and certain other legal matters in connection with the sale of the notes will be passed upon for us by Gary H. Pilnick, our Senior Vice President, General Counsel, Corporate Development and Secretary, and by Kirkland & Ellis LLP, Chicago, Illinois. Certain legal matters relating to the notes offered hereby will be passed upon for the underwriters by Mayer Brown LLP, Chicago, Illinois. As of February 29, 2008, Mr. Pilnick beneficially owned 55,637.18 shares of our common stock (of which 11,000 shares are restricted) and held options to purchase 350,071 shares of our common stock.

Experts

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K for the year ended December 29, 2007 have been so incorporated in reliance on the report, which contains an explanatory paragraph on the effectiveness of internal control over financial reporting due to the exclusion of the internal control over financial reporting of the Bear Naked and Gardenburger businesses that Kellogg acquired in November 2007, of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Where you can find more information

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission to register the notes covered by this prospectus supplement and the accompanying prospectus. The accompanying prospectus forms a part of that registration statement and does not contain all of the information in the registration statement or the exhibits to the registration statement.

We are subject to the informational requirements of the Securities Exchange Act of 1934 and therefore file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may review a copy of those reports, statements or other information at the Securities and Exchange Commission's public reference room at 100 F Street, Room 1580, Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms.

Our Securities and Exchange Commission filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Reports, proxy statements and other information concerning us may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The Securities and Exchange Commission allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to other documents filed separately with the Securities and Exchange Commission. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any

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information superseded by information contained directly in this prospectus supplement and the accompanying prospectus or in later filed documents incorporated by reference in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus incorporate by reference the documents set forth below that we have previously filed with the Securities and Exchange Commission. These documents contain important business and financial information about us that is not included in or delivered with this prospectus supplement and the accompanying prospectus.

Kellogg Company Filings

(File No. 1-4171)	Period or date filed
Annual Report on Form 10-K	Fiscal Year ended December 29, 2007.
Current Report on Form 8-K	Filed on February 28, 2008.

We are also incorporating by reference additional documents that we will file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act before the termination of this offering (other than Current Reports on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, including any exhibits included with such information, unless otherwise indicated therein). These include periodic reports, such as Annual Reports on Form 10K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can request a free copy of any or all of these documents by writing to or calling the following address or telephone number:

Kellogg Company
One Kellogg Square
Battle Creek, Michigan 49016
Telephone: (269) 961-2800
Attn: Investor Relations

This section supercedes and replaces the section in the accompanying prospectus captioned **WHERE YOU CAN FIND MORE INFORMATION.**

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PROSPECTUS

\$2,000,000,000

KELLOGG COMPANY

Debt Securities and Debt Warrants

Common Stock and Common Stock Warrants

Purchase Contracts

Units

**KELLOGG COMPANY CAPITAL TRUST I
KELLOGG COMPANY CAPITAL TRUST II
KELLOGG COMPANY CAPITAL TRUST III
KELLOGG COMPANY CAPITAL TRUST IV**

Trust Preferred Securities

Fully and Unconditionally Guaranteed by
Kellogg Company

We or, as applicable, the Kellogg Company Capital Trusts may offer from time to time the following types of securities:

our debt securities, in one or more series, which may be senior debt securities or subordinated debt securities, in each case consisting of notes or other unsecured evidences of indebtedness;

warrants to purchase debt securities;

shares of our common stock;

warrants to purchase common stock;

purchase contracts;

units;

trust preferred securities issued by one of the Kellogg Company Capital Trusts; or

any combination of these securities.

We may also issue common stock upon conversion, exchange or exercise of any of the securities listed above. The securities will have an aggregate initial offering price of up to \$2,000,000,000 or an equivalent amount in U.S. dollars if any securities are denominated in a currency other than U.S. dollars. The securities may be offered separately or together in any combination and as separate series.

We will provide the specific terms of the securities in supplements to this prospectus. We can only use this prospectus to offer and sell any specific security by also including a prospectus supplement for that security. You should read this prospectus and the prospectus supplements carefully before you invest.

Our common stock is traded on the New York Stock Exchange under the symbol **K** .

Edgar Filing: K12 INC - Form SC 13D

Neither the SEC nor any state securities commission has approved these securities or determined that this prospectus is accurate or complete. It is a criminal offense for anyone to tell you otherwise.

The date of this prospectus is November 2, 2001

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission to register the securities covered by this prospectus. This prospectus forms a part of that registration statement and does not contain all of the information in the registration statement or the exhibits to the registration statement.

We are subject to the informational requirements of the Securities Exchange Act of 1934 and therefore file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may review a copy of those reports, statements or other information at the Securities and Exchange Commission's public reference rooms at Public Reference Room, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549.

Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. These Securities and Exchange Commission filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the Securities and Exchange Commission at <http://www.sec.gov>. Reports, proxy statements and other information concerning us may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The Securities and Exchange Commission allows us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to other documents filed separately with the Securities and Exchange Commission. The information incorporated by reference is considered to be part of this prospectus, except for any information superseded by information contained directly in this prospectus or in later filed documents incorporated by reference in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the Securities and Exchange Commission. These documents contain important business and financial information about us that is not included in or delivered with this prospectus.

KELLOGG COMPANY FILINGS

(File No. 1-4171)	Period or Date Filed
Annual Report on Form 10-K	Fiscal Year ended December 31, 2000
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2000 and June 30, 2001
Description of Common Stock	Filed as Item 14 to Kellogg Company's Form 10 dated March 20, 1959
Current Reports on Form 8-K or Form 8-K/A	Filed April 2, May 8 and May 15, 2001

We are also incorporating by reference additional documents that we will file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act before the termination of this offering. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can request a free copy of any or all of these documents by writing to or calling the following address or telephone number:

Kellogg Company

One Kellogg Square
Battle Creek, Michigan 49016
Telephone: (616) 961-2000
Attn: General Counsel

You should rely only on the information contained or incorporated by reference in this prospectus before deciding whether to purchase the securities being sold by this prospectus. We have not authorized anyone to provide you with information that is different from what is contained or incorporated by reference in this prospectus. This prospectus is dated November 2, 2001. You should not assume that the information

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contained in this prospectus is accurate as of any date other than that date unless the information specifically indicates that another date applies. If you are in a jurisdiction where it is unlawful to offer to convert or sell or to ask for offers to convert or buy the securities offered by this prospectus, or if you are a person to whom it is unlawful to direct those activities, then the offer presented in this prospectus does not extend to you.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents we incorporate by reference contain forward-looking statements with projections concerning, among other things, our strategy and plans; integration activities, costs, and savings related to our acquisition of Keebler Foods Company; cash outlays and savings related to restructuring actions; the impact of accounting changes; our ability to meet interest and debt principal repayment obligations; the effect of the Keebler acquisition on factors that impact the effective income tax rate, amortization expense, cash flow, property addition expenditures, reserve utilization and interest expense. Forward-looking statements include predictions of future results or activities and may contain the words expect, believe, will, will deliver, anticipate, project, should, or words or phrases of similar meaning. Our actual activities may differ materially from these predictions. In particular, future results or activities could be affected by factors related to the Keebler acquisition, including integration problems, failures to achieve savings, unanticipated liabilities, and the substantial amount of debt incurred to finance the acquisition, which could, among other things, hinder our ability to adjust rapidly to changing market conditions, make us more vulnerable in the event of a downturn and place us at a competitive disadvantage relative to less leveraged competitors. In addition, our future results could be affected by a variety of other factors, including:

competitive conditions in our markets;

marketing spending levels and pricing actions of competitors;

the impact of competitive conditions, marketing spending, and/or incremental pricing actions on actual volumes and product mix;

effectiveness of advertising and marketing spending or programs;

the success of new product introductions;

the availability of and interest rates on short-term financing;

the levels of spending on systems initiatives, properties, business opportunities, integration of acquired businesses, and other general and administrative costs;

commodity price and labor cost fluctuations;

changes in consumer preferences;

changes in U.S. or foreign regulations affecting the food industry;

expenditures necessary to carry out restructuring initiatives and savings derived from these initiatives, and;

foreign economic conditions, including currency rate fluctuations.

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them.

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KELLOGG COMPANY

Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles, meat alternatives, pie crusts, and ice cream cones. Kellogg products are manufactured in 19 countries and marketed in more than 160 countries around the world. Kellogg is managed in two major divisions—the United States and International—with International further delineated into Europe, Latin America, Canada, Australia, and Asia. Our products are manufactured primarily in company-owned facilities and are principally sold to the grocery trade through direct sales forces or food brokers for resale to consumers.

Kellogg's brands are well recognized around the world. We market our products under well-known trademarks, including *Kellogg's*, *Keebler*, *Pop-Tarts*, *Eggo*, *Nutri-Grain*, *Morningstar Farms*, *Cheez-It*, *Carr's* and *Famous Amos*. Our trademarks also include the brand names of many popular ready-to-eat cereals, including *Apple Jacks*, *Kellogg's Corn Flakes*, *Kellogg's Frosted Flakes*, *Froot Loops* and *Rice Krispies*, as well as animated cartoon characters, such as *Tony the Tiger*, *Snap!Crackle!Pop!*, *Dig 'Em* and *Toucan Sam*.

Kellogg Company was incorporated in Delaware in 1922. Our principal executive offices are located at One Kellogg Square, P.O. Box 3599, Battle Creek, Michigan 49016-3599 USA and our telephone number is (616) 961-2000.

ABOUT THE TRUSTS

The four trusts, Kellogg Company Capital Trust I, II, III and IV, are Delaware business trusts formed to raise capital for us by issuing preferred securities under this prospectus and a prospectus supplement, and investing the proceeds in subordinated debt securities issued by us.

We will directly or indirectly own all of the common securities of each of our trust subsidiaries. The common securities will rank equally with, and each trust will make payments on the common securities in proportion to, the trust preferred securities, except that if an event of default occurs under the declaration of one of the trusts, our rights, as holder of the common securities, to payments will be subordinated to your rights as holder of the trust preferred securities. We will, directly or indirectly, acquire common securities in an aggregate liquidation amount equal to three percent of the total capital of each of our trusts.

As holder of the common securities of the trusts, we are entitled to appoint, remove or replace any of, or increase or decrease the number of, the trustees of each of our trusts, provided that the number of trustees shall be at least three. Each of our trusts' business and affairs will be conducted by the trustees we appoint. The trustees' duties and obligations are governed by the trusts' declarations. Prior to the issuance of any trust preferred securities, we will ensure that one trustee of each trust is a financial institution that will not be an affiliate of ours and that will act as property trustee and indenture trustee for purposes of the Trust Indenture Act of 1939. In addition, unless the property trustee maintains a principal place of business in the State of Delaware and meets the other requirements of applicable law, one trustee of each of our trusts will have its principal place of business or reside in the State of Delaware.

We will pay all of our trusts' fees and expenses, including those relating to any offering of trust preferred securities. In addition, we will enter into a guarantee with respect to each series of trust preferred securities under which we will irrevocably and unconditionally agree to make certain payments to the holders of that series of trust preferred securities, subject to applicable subordination provisions, except that the guarantee will only apply when the trust has sufficient funds immediately available to make those payments but has not made them.

The principal office of each of the trusts is c/o Kellogg Company, One Kellogg Square, P.O. Box 3599, Battle Creek, Michigan 49016-3599 USA and our telephone number is (616) 961-2000.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table shows the unaudited consolidated ratio of earnings to fixed charges for Kellogg Company and its subsidiaries for the periods indicated:

	Six Months Ended June 30,		Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
Ratio of earnings to fixed charges	3.2x	7.4x	6.6x	4.9x	6.6x	7.9x	11.0x

For purposes of the ratios of earnings to fixed charges, earnings consist of earnings before income taxes plus fixed charges. Fixed charges consist of interest expense, which includes debt issuance costs, and one-third of rental expense, which we deem to be a reasonable estimate of the portion of our rental expense that is attributable to interest. A statement setting forth the computation of the ratios of earnings to fixed charges is filed as an exhibit to the Registration Statement of which this prospectus is a part.

USE OF PROCEEDS

Unless we specify otherwise in the applicable prospectus supplement accompanying this prospectus, we will use the net proceeds from the sale of the securities for general corporate purposes. Each trust will invest all proceeds received from the sale of its trust preferred securities in a particular series of subordinated debt securities to be issued by us.

DESCRIPTION OF DEBT SECURITIES

This section describes the terms of the debt securities that we may offer from time to time. The particular terms of the debt securities offered by any prospectus supplement and the extent to which the general provisions described below may apply to such debt securities will be outlined in the applicable prospectus supplement. The debt securities may be issued from time to time in one or more series.

We will issue the senior debt securities under an indenture, entered into between Kellogg Company and BNY Midwest Trust Company, as trustee, dated March 15, 2001, as supplemented by supplemental indenture No. 1 dated March 29, 2001 and as may be supplemented by one or more additional supplemental indentures (the *senior indenture*). We will issue the subordinated debt securities under a separate subordinated indenture to be entered into between Kellogg Company and a bank or trust company selected by us to act as trustee (as may be supplemented by one or more supplemental indentures, the *subordinated indenture*). The senior indenture and the subordinated indenture are sometimes referred to collectively as the *indentures*. The trustees under the senior indenture and under the subordinated indenture are referred to herein as the *indenture trustees*.

Numerical references in parentheses below are to sections in the applicable indenture. Wherever we refer to particular sections or defined terms of an indenture, those sections or defined terms are incorporated by reference in this description as part of the statement made, and the statement is qualified in its entirety by such reference. As used in this section we, us, our, Kellogg, or the Company refers to Kellogg Company and not to any of our subsidiaries, unless explicitly stated.

General

The indentures provide that we may issue debt securities in separate series from time to time in an unlimited amount. We may specify a maximum aggregate principal amount for the debt securities of any series. (Section 2.3) The debt securities will have terms and provisions that are not inconsistent with the indentures, including our determination as to maturity, principal and interest. Unless otherwise indicated in a prospectus supplement, the senior debt securities will be our unsecured obligations and will rank on parity with all other unsecured and unsubordinated indebtedness. The subordinated debt securities will be our unsecured

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obligations, subordinated in right of payment to the prior payment in full of all of our senior debt as described in the applicable prospectus supplement.

Our assets consist primarily of the common stock of our subsidiaries, and we conduct no substantial business or operations of our own. Accordingly, our right, and the right of our creditors (including the holders of the debt securities), to participate in any distribution of assets of any of our subsidiaries upon liquidation or reorganization will be subject to the prior claims of creditors of such subsidiary, except to the extent that our claims as a creditor of such subsidiary may be recognized.

If subordinated debt securities are issued to a trust in connection with the issuance of trust preferred securities, such subordinated debt securities may thereafter be distributed pro rata to the holders of such trust securities in connection with the dissolution of such trust upon the occurrence of certain events described in the applicable prospectus supplement.

We will prepare a prospectus supplement for each series of debt securities that we issue. Each prospectus supplement will set forth the applicable terms of the debt securities to which it relates. These terms will include some or all of the following:

the title of the debt securities;

any limit on the aggregate principal amount of the debt securities or the series of which they are a part;

the person to whom any interest on any of the debt securities will be payable, if other than the person in whose name that debt security is registered at the close of business on the record date for such interest payment;

the date or dates on which the principal of any of the debt securities will be payable;

the rate or rates at which the debt securities will bear interest, if any, the date or dates from which any interest will accrue, the interest payment dates on which any interest will be payable and the record date for any such interest payable;

the place or places where the principal of and any premium and interest on any of such debt securities will be payable;

the obligation, if any, we have to redeem or purchase any of the debt securities out of any sinking fund or at the option of the holder, and the period or periods within which, the price or prices at which and the terms and conditions on which any of such debt securities will be redeemed or purchased, in whole or in part;

the denominations in which any of the debt securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof;

if the amount of principal, premium, if any, or interest on any of the debt securities may be determined with reference to an index or by a formula, the manner in which such amounts will be determined;

if other than the currency of the United States, the currency, currencies or currency units in which the principal, premium, if any, or interest on any of the debt securities will be payable;

if the principal, premium, if any, or interest on any of the debt securities is to be payable, at our election or the election of the holder, in one or more currencies other than those in which the debt securities are stated to be payable, the currencies in which payment of the principal, premium, if any, and interest on the debt securities as to which such election is made will be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable;

if other than the entire principal amount thereof, the portion of the principal amount of debt securities which will be payable upon declaration of acceleration of the maturity thereof;

if the principal amount payable at the stated maturity of any of the debt securities is not determinable upon original issuance, the amount which will be deemed to be the principal amount of the debt

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securities for any other purpose thereunder or under the indentures, including the principal amount which will be due and payable upon any maturity, other than the stated maturity, or which will be deemed to be outstanding as of any date (or, in any such case, any manner in which such principal amount is to be determined);

if applicable, that the debt securities, in whole or any specified part, are defeasible;

whether any of the debt securities will be issuable in whole or in part in the form of one or more global securities;

any deletions from, modifications of or additions to the events of default applicable to any of the debt securities and any change in the right of an indenture trustee or the holders to declare the principal amount of any debt securities due and payable;

any deletions from, modifications of or additions to the covenants applicable to any debt securities; and

any other terms of the debt securities not inconsistent with the provisions of the indentures but which may modify or delete any provision of the indentures insofar as it applies to such series; provided that no term of the indentures may be modified or deleted if imposed under the Trust Indenture Act of 1939, as amended, and that any modification or deletion of the rights, duties or immunities of the indenture trustee shall have been consented to in writing by the indenture trustee.

(Section 2.3)

Debt securities, including original issue discount securities, may be sold at a substantial discount below their principal amount. Special United States federal income tax considerations applicable to debt securities sold at an original issue discount will be described in the applicable prospectus supplement under United States Taxation United States Holders. Special United States tax and other considerations applicable to any debt securities which are denominated in a currency or currency unit other than United States dollars will be described in the applicable prospectus supplement under such caption and under Foreign Currency Risks.

The above is not intended to be an exclusive list of the terms that may be applicable to any debt securities and we are not limited in any respect in our ability to issue debt securities with terms different from or in addition to those described above or elsewhere in this prospectus, provided that the terms are not inconsistent with the applicable indenture. Any applicable prospectus supplement will also describe any special provisions for the payment of additional amounts with respect to the debt securities.

For a description of additional provisions that may be applicable to subordinated debt securities that we may issue in connection with an offering of trust preferred securities under this prospectus, you should read Description of Trust Preferred Securities.

Form, Exchange and Transfer

The debt securities of a series may be issued solely as registered securities, solely as bearer securities (with or without coupons attached) or as both registered securities and bearer securities. Debt securities of a series may be issuable in whole or in part in the form of one or more global debt securities, as described below under Global Securities.

Registered securities of any series will be exchangeable for other registered securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. If debt securities of any series are issuable as both registered securities and as bearer securities, at the option of the holder, subject to the terms of the indentures, bearer securities of such series will be exchangeable for registered securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. Unless otherwise indicated in the applicable prospectus supplement, any bearer security surrendered in exchange for a registered security between a record date or a special record date for defaulted interest and the relevant date for payment of interest will be surrendered without the coupon relating to such date for payment of interest and interest represented by that coupon will not be payable in respect of the registered security issued in

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exchange for such bearer security, but will be payable only to the holder of such coupon when due in accordance with the terms of the indenture. Bearer securities will not be issued in exchange for registered securities.

No service charge will be made for any registration of transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange. The transfer or exchange will be effected upon the security registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. (Section 2.8) We have appointed the indenture trustee as security registrar. (Section 3.2) Any transfer agent (in addition to the security registrar) initially designated by us for any debt securities will be named in the applicable prospectus supplement.

In the event that we redeem, in whole or in part, debt securities of any series, we will not be required to issue, register the transfer of or exchange any debt securities during a period beginning on the opening of business 15 days before the mailing of a notice of redemption of debt securities for redemption or to register the transfer of or exchange of any debt security so selected for redemption in whole or in part, except, in the case of any debt security to be redeemed in part, the portion thereof not redeemed.

Global Securities

The debt securities of any series may be represented by one or more global securities which will have an aggregate principal amount equal to that of the debt securities they represent. Each global security will be registered in the name of the Depository Trust Company (DTC) as depository, or any other depository identified in the applicable prospectus supplement. Each global security will be deposited with DTC or such other depository and will bear a legend regarding the restrictions on exchanges and registration of transfer as may be provided by the indentures.

DTC has advised us that DTC is:

- a limited-purpose trust company organized under the laws of the State of New York;
- a member of the Federal Reserve System;
- a clearing corporation within the meaning of the New York Uniform Commercial Code; and
- a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities of institutions that have accounts with DTC and to facilitate the clearance and settlement of securities transactions among its participants in securities through electronic book- entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include:

- securities brokers and dealers;
- banks;
- trust companies;
- clearing corporations; and
- certain other organizations.

Access to DTC s book entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, whether directly or indirectly.

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No global security may be exchanged in whole or in part for debt securities registered, and no transfer of a global security in whole or in part may be registered, in the name of any person other than the depositary for such global security unless:

the depositary has notified us that it is unwilling or unable to continue as depositary for such global security or has ceased to be qualified to act as such as required by the indentures;

there shall have occurred and be continuing an event of default with respect to the debt securities represented by such global security; or

there shall exist such circumstances as may be described in the applicable prospectus supplement.

The laws of some jurisdictions require that certain purchasers of debt securities take physical delivery of such debt securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

As long as the depositary, or its nominee, is the registered holder of a global security, the depositary or such nominee, will be considered the sole owner and holder of such global security and the debt securities represented by it. Except in the limited circumstances referred to above, owners of beneficial interests in a global security will not be entitled to have the global security or any debt securities represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated debt securities in exchange for the global security and will not be considered to be the owners or holders of the global security or any debt securities represented by the global security for any purpose under the debt securities or the indentures. All payments of principal of and any premium and interest on a global security will be made to the depositary or its nominee, as its holder.

Ownership of beneficial interests in a global security will be limited to participants or to persons that may hold beneficial interests through institutions that have accounts with the depositary or its nominee. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depositary or any such participant. Payments, transfers, exchanges and other matters relating to beneficial interests in a global security may be subject to various policies and procedures adopted by the depositary from time to time. Neither Kellogg, the indenture trustee nor any agent of Kellogg or the indenture trustee will have any responsibility or liability for any aspect of the depositary or any participant's records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to such beneficial ownership interests.

Secondary trading in notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, beneficial interests in a global security, in some cases, may trade in the depositary's same-day funds settlement system, in which case settlement of secondary market trading activity in those beneficial interests would be required by the depositary to be made in immediately-available funds. There is no assurance as to the effect, if any, that settlement in immediately-available funds would have on trading activity in such beneficial interests. Also, settlement for purchases of beneficial interests in a global security upon the original issuance of beneficial interests in the global security may be required to be made in immediately-available funds.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a registered security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the record date for the interest payment and payment of interest on an unregistered security will be made upon surrender of the coupon appertaining to the unregistered security in respect of the interest due on the applicable interest payment date. (Section 2.7)

Unless otherwise indicated in the applicable prospectus supplement, principal of and any premium and interest on the debt securities of a particular series will be payable at the office of the paying agent or paying agents as we may designate for that purpose from time to time. Notwithstanding, at our option, payment of

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any interest may be made by check mailed to the address of the person entitled to the interest, as the address appears in the security register. (Section 2.12)

So long as debt securities remain outstanding, we will maintain an office or agency where the debt securities may be presented or payment. We will give notice to the trustee of the location of any office or agency or any change in the location of the office or agency. In the case we fail to designate an office or agency, presentations and demands may be made at the corporate trust office. (Section 3.2)

Subordination of Subordinated Debt Securities

Unless otherwise indicated in the prospectus supplement, the following provisions will apply to the subordinated debt securities.

The subordinated debt securities will, to the extent set forth in the subordinated indenture, be subordinate in right of payment to the prior payment in full of all senior indebtedness. (Section 14.1 of the subordinated indenture) In the event of:

any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding, with respect to Kellogg or its assets; or

any liquidation, dissolution or other winding up of Kellogg, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; or

any assignment for the benefit of creditors or any other marshaling of assets and liabilities of Kellogg, then the holders of senior indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all senior indebtedness, or provision shall be made for such payment to the holders of senior indebtedness in cash, before the holders of subordinated debt securities are entitled to receive any payment on account of principal, premium, if any, or interest on subordinated debt securities, other than payments:

from a trust of the type described in -Satisfaction and Discharge of Indenture below;

in Kellogg capital stock; or

in other securities which are payable no earlier than the final stated maturity date of the subordinated debt securities of the series, have terms no more restrictive than those of the subordinated debt securities of the series and are subordinated in right of payment to the senior indebtedness at least to the same extent as the subordinated debt securities of the series. (Section 14.2 of the subordinated indenture) By reason of this subordination, in the event of liquidation or insolvency, holders of senior debt securities may recover more, ratably, than the holders of the subordinated debt securities.

In the event of the acceleration of the maturity of any subordinated debt securities, the holders of all senior debt securities outstanding at the time of the acceleration will first be entitled to receive payment in full of all amounts due before the holders of the subordinated debt securities will be entitled to receive any payment upon the principal of or any premium or interest on the subordinated debt securities, other than payments:

from a trust of the type described in -Satisfaction and Discharge of Indenture below;

in Kellogg capital stock; or

in other securities which are payable no earlier than the final stated maturity date of the subordinated debt securities of the series, have terms no more restrictive than those of the subordinated debt securities of the series and are subordinated in right of payment to the senior indebtedness at least to the same extent as the subordinated debt securities of the series. (Section 14.3 of the subordinated indenture)

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If

we default in the payment of any principal of, or premium, if any, or interest on any senior indebtedness when it becomes due and payable after any applicable grace period, and the default is continuing;

there is any other default in respect of our senior indebtedness which has occurred and is continuing which would permit the senior indebtedness to be accelerated;

there is any judicial proceeding pending regarding any default in respect of our senior indebtedness; or

the subordinated debt securities of the series are accelerated,

then, unless and until the event of default is cured or waived or ceases to exist, any acceleration is rescinded or annulled or any judicial proceeding is terminated, we cannot make any payment on account of or acquire the subordinated debt securities prior to the repayment in full of our outstanding senior indebtedness. (Section 14.4 of the subordinated indenture)

The subordinated indenture does not limit or prohibit the issuance of additional senior debt securities, which may include indebtedness that is senior to the subordinated debt securities, but subordinate to other obligations of Kellogg.

Unless otherwise specified with respect to a series of subordinated debt securities, Senior Indebtedness under the subordinated indenture, with respect to Kellogg, means the principal of, premium, if any, interest on (including interest accruing after the filing of a petition initiating any proceeding pursuant to any bankruptcy law, but only to the extent allowed or permitted to the holder against the bankruptcy or any other insolvency estate of Kellogg) and any other amounts due on or in connection with any of the following indebtedness, incurred, assumed or guaranteed by Kellogg, whether or not outstanding on the date Kellogg issues any series of subordinated debt securities (including renewals, extensions and refundings of these obligations):

all obligations of Kellogg for borrowed money and all obligations evidenced by bonds, debentures, notes or other similar instruments issued by Kellogg;

all capital lease obligations of Kellogg;

all obligations of the types referred to above of other persons secured by a lien on any asset of Kellogg, whether or not the obligation is assumed by Kellogg; and

all obligations of the types referred to above of other persons for the payment of which Kellogg is responsible or liable as obligor or guarantor, except for:

any indebtedness, including other series of debt securities issued under the subordinated debt securities indenture, created or evidenced by or outstanding pursuant to an instrument that expressly provides that the indebtedness is subordinated to any other indebtedness of ours, unless that indebtedness expressly provides that it will be senior to the subordinated debt securities of the series;

any indebtedness that by its terms states that it will not be senior in right of payment to the subordinated debt securities of the series; and

any indebtedness of ours to any of our affiliates or subsidiaries.

(Section 14.1 of subordinated indenture)

The prospectus supplement may further describe the provisions, if any, applicable to the subordination of the subordinated debt securities of a particular series.

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Certain Covenants

Limitations on Liens

Under the senior indenture, if we or any of our Restricted Subsidiaries (as defined below) incur debt that is secured by a Principal Property (as defined below) or stock or debt of a Restricted Subsidiary, we must secure the new senior debt securities at least equally and ratably with the secured debt.

Under the subordinated indenture, if we or any of our Restricted Subsidiaries incur debt that is on parity in right of payment with or junior in interest to the subordinated debt securities and that is secured by a Principal Property or stock or debt of a Restricted Subsidiary, we must secure the new subordinated debt securities at least equally and ratably with the secured debt.

The foregoing restrictions shall not apply to:

mortgages on property, shares of stock or indebtedness (referred to in this prospectus as *property*) of any corporation existing at the time the corporation becomes a Restricted Subsidiary;

mortgages existing at the time of an acquisition;

purchase money and construction mortgages which are entered into or for which commitments are received within a certain time period;

mortgages in our favor or in favor of a Restricted Subsidiary;

mortgages on property owned or leased by us or a Restricted Subsidiary in favor of a governmental entity or in favor of the holders of debt securities issued by any such entity, pursuant to any contract or statute (including mortgages to secure debt of the pollution control or industrial revenue bond type) or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to the mortgages;

mortgages existing at the date of the indenture;

certain landlords' liens;

mortgages to secure partial, progress, advance or other payments or any debt incurred for the purpose of financing all or part of the purchase price or cost of construction, development or substantial repair, alteration or improvement of the property subject to such mortgage if the commitment for such financing is obtained within one year after completion of or the placing into operation of such constructed, developed, repaired, altered or improved property;

mortgages arising in connection with contracts with or made at the request of governmental entities;

mechanics' and similar liens arising in the ordinary course of business in respect of obligations not due or being contested in good faith;

mortgages arising from deposits with or the giving of any form of security to any governmental authority required as a condition to the transaction of business or exercise of any privilege, franchise or license;

mortgages for taxes, assessments or governmental charges or levies which, if delinquent, are being contested in good faith;

mortgages (including judgment liens) arising from legal proceedings being contested in good faith; or

any extension, renewal or replacement of these categories of mortgages.

However, if the total amount of our secured debt and the present value of any remaining rent payments for certain sale and leaseback transactions involving a Principal Property would not exceed 10% of our total assets, this requirement does not apply. (Section 3.6)

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Sale and Leaseback

The indentures provide that we will not enter, nor will we permit any Restricted Subsidiary to enter, into a sale and leaseback transaction of any Principal Property (except for temporary leases for a term of not more than three years and except for leases between us and a Restricted Subsidiary or between Restricted Subsidiaries) unless: (a) we or such Restricted Subsidiary would be entitled to issue, assume or guarantee debt secured by the property involved at least equal in amount to the Attributable Debt (as defined below) in respect of such transaction without equally and ratably securing the debt securities issued pursuant to the indenture (provided that such Attributable Debt shall thereupon be deemed to be debt subject to the provisions of the preceding paragraph), or (b) an amount in cash equal to such Attributable Debt is applied to the non-mandatory retirement of our long-term non-subordinated debt or long-term debt of a Restricted Subsidiary. Attributable Debt is defined as the present value (discounted at an appropriate rate) of the obligation of a lessee for rental payments during the remaining term of any lease. (Section 3.7)

The term **Subsidiary** is defined to mean any corporation which is consolidated in our accounts and any corporation of which at least a majority of the outstanding stock having voting power under ordinary circumstances to elect a majority of the board of directors of that corporation is at the time owned or controlled solely by us or in conjunction with or by one or more Subsidiaries. The term **Restricted Subsidiary** is defined to mean any Subsidiary:

substantially all of the property of which is located within the continental United States,

which owns a Principal Property, and

in which our investment exceeds 1% of our consolidated assets as shown on our latest quarterly financial statements.

However, the term **Restricted Subsidiary** does not include any Subsidiary which is principally engaged in certain types of leasing and financing activities.

The term **Principal Property** is defined to mean any manufacturing plant or facility which is located within the continental United States and is owned by us or any Restricted Subsidiary. Our board of directors (or any duly authorized committee of the board of directors) by resolution may create an exception by declaring that any such plant or facility, together with all other plants and facilities previously so declared, is not of material importance to the total business conducted by us and our Restricted Subsidiaries as an entirety. (Section 1.1)

There are no covenants or other provisions which would offer protection to securityholders in the event of a highly leveraged transaction, rating downgrade or similar occurrence.

Merger, Consolidation or Sale of Assets

Under the senior indenture, if, as a result of any consolidation or merger of Kellogg or any Restricted Subsidiary with or into any other corporation, or upon any sale, conveyance or lease of substantially all the properties of Kellogg or any Restricted Subsidiary, any Principal Property or any shares of stock or indebtedness of any Restricted Subsidiary becomes subject to a mortgage, pledge, security interest or other lien or encumbrance, we will effectively provide that the debt securities issued pursuant to the indenture shall be secured equally and ratably by a direct lien on such Principal Property, shares of stock or indebtedness. The lien should be prior to all liens other than any liens already existing on the Principal Property, so long as the Principal Property, shares of stock or indebtedness are subject to the mortgage, security interest, pledge, lien or encumbrance. (Section 9.2 of senior indenture)

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Outstanding Debt Securities

Outstanding, when used with respect to debt securities, means, as of the date of determination, all debt securities authenticated and delivered by the indenture trustee under the indentures, except:

debt securities cancelled by the indenture trustee or delivered to the indenture trustee for cancellation;

debt securities, or portions thereof, for whose payment or redemption money in the necessary amount and in the specified currency has been deposited with the indenture trustee or any paying agent (other than Kellogg) in trust or set aside and segregated in trust by Kellogg (if Kellogg shall act as its own paying agent) for the holders of such debt securities and, if such debt securities are to be redeemed, notice of such redemption has been given according to the indentures or provisions satisfactory to the indenture trustee have been made; and

debt securities which have been paid pursuant to the indentures or in exchange for or in lieu of which other debt securities have been authenticated and delivered pursuant to the indentures, other than any debt securities in respect of which there shall have been presented to the indenture trustee proof satisfactory to it that such debt securities are held by a *bona fide* purchaser in whose hands such debt securities are valid obligations of Kellogg. (See definition of Outstanding)

The indentures provide that in determining whether the holders of the requisite aggregate principal amount of the outstanding debt securities have concurred in any direction, consent or waiver under the indentures, debt securities which are owned by us or any other obligor upon the debt securities or any affiliate of Kellogg or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the indenture trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only debt securities which a responsible officer of the indenture trustee knows to be so owned shall be so disregarded. (Section 7.4)

Events of Default

An Event of Default with respect to any series of debt securities is defined as:

a default for 30 days in payment of interest on any security of that series;

a default in payment of principal (or premium, if any) on any security of that series as and when the same becomes due either upon maturity, by declaration or otherwise;

a default by us in the performance of any of the other covenants or agreements in the indenture relating to the debt securities of that series which shall not have been remedied within a period of 90 days after notice by the trustee or holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding; and

certain events of bankruptcy, insolvency or reorganization of Kellogg. (Section 5.1)

The indenture provides that the trustee shall, with certain exceptions, notify the holders of the debt securities of Events of Default known to it and affecting that series within 90 days after the occurrence of the Event of Default. (Section 5.11)

The indentures provide that if an Event of Default with respect to any series of debt securities shall have occurred and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the debt securities of the relevant series then outstanding may declare the principal amount of all of the debt securities of that series to be due and payable immediately. However, upon certain conditions such declaration may be annulled and past uncured defaults may be waived by the holders of a majority in principal amount of the debt securities of that series then outstanding. (Sections 5.1 and 5.10)

Subject to the provisions of the indentures relating to the duties of the trustee in case an Event of Default shall occur and be continuing, the indenture trustee shall be under no obligation to exercise any of the rights or powers in the indentures at the request or direction of any of the holders of the debt securities, unless the holders shall have offered to the trustee reasonable security or indemnity. (Sections 6.1 and 6.2) Subject to

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the provisions for security or indemnification and certain limitations contained in the indentures, the holders of a majority in principal amount of the outstanding debt securities of any series affected by an Event of Default shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee under the indenture or exercising any trust or power conferred on the indenture trustee with respect to the debt securities of that series. (Section 5.9) The indentures require the annual filing by us with the trustee of a certificate as to compliance with certain covenants contained in the indenture. (Section 4.3)

No holder of any security of any series will have any right to institute any proceeding with respect to the indentures or for any remedy thereunder, unless the holder shall have previously given the indenture trustee written notice of an Event of Default with respect to the debt securities and also the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the relevant series shall have made written request, and offered reasonable indemnity, to the indenture trustee to institute such proceeding as trustee, and the indenture trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, any right of a holder of any security to receive payment of the principal of (and premium, if any) and any interest on such security on or after the due dates expressed in such security and to institute suit for the enforcement of any such payment on or after such dates shall not be impaired or affected without the consent of such holder. (Sections 5.6 and 5.7)

Satisfaction and Discharge of Indenture

The indentures, except for certain specified surviving obligations, will be discharged and canceled with respect to the debt securities of any series upon the satisfaction of certain conditions, including the payment of all the debt securities of the applicable series or the deposit with the indenture trustee as trust funds of cash or appropriate government obligations or a combination of the two sufficient for the payment or redemption in accordance with the indentures and the terms of the applicable series of debt securities. (Section 10.1)

Modification and Waiver

The indentures contain provisions permitting us and the indenture trustee to execute certain supplemental indentures adding, changing or eliminating any provisions to the indentures or any supplemental indenture with respect to the debt securities of any series or modifying in any manner the rights of the holders of the debt securities of any series. However, no supplemental indenture may, among other things, (1) extend the final maturity of any debt security, or reduce the rate or extend the time of payment of any interest on the debt security, or reduce the principal amount of any debt security, premium on any debt security, or reduce any amount payable upon any redemption of any debt security, without the consent of the holder of each debt security so affected, or (2) reduce the percentage of debt securities of any series that is required to approve a supplemental indenture, without the consent of the holders of each debt security so affected. (Section 8.2)

Notices

Notices to holders of the debt securities will be published in authorized daily newspapers in the City of New York and in London. Any notice given pursuant to these provisions shall be deemed to have been given on the date of publication or, if published more than once, on the date first published.

Governing Law

The indentures provide that they and the debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Trustee

Kellogg maintains customary banking relationships with affiliates of BNY Midwest Trust Company, the trustee under the indentures, and its affiliates.

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DESCRIPTION OF DEBT WARRANTS

We may issue, together with other securities or separately, debt warrants for the purchase of debt securities (debt warrants). The debt warrants are to be issued under debt warrant agreements (each a debt warrant agreement) to be entered into between us and a bank or trust company, as debt warrant agent (the debt warrant agent), all as set forth in the applicable prospectus supplement. The debt warrant agent will act solely as our agent in connection with the debt warrants of such series and will not assume any obligations or relationship of agency or trust for or with any holders or beneficial owners of debt warrants. Copies of the forms of debt warrant agreements and the forms of warrant certificates (the debt warrant certificates) will be filed in an amendment to the registration statement of which this prospectus is a part or filed in a Current Report on Form 8-K and incorporated by reference in the registration statement of which this prospectus is a part. The following description of certain provisions of the forms of debt warrant agreements and debt warrant certificates does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the debt warrant agreements and the debt warrant certificates to be filed in an amendment to the registration statement of which this prospectus is a part or filed in a Current Report on Form 8-K and incorporated by reference in the registration statement of which this prospectus is a part.

General

You should look in the accompanying prospectus supplement for the following terms of the offered debt warrants:

the designation, aggregate principal amount and terms of the debt securities purchasable upon exercise of the debt warrants and the procedures and conditions relating to the exercise of the debt warrants;

the designation and terms of any related debt securities with which the debt warrants are issued and the number of the debt warrants issued with each debt security;

the date, if any, on and after which the debt warrants and the related debt securities will be separately transferable;

the principal amount of debt securities purchasable upon exercise of each debt warrant and the price at which the principal amount of debt securities may be purchased;

the date on which the right to exercise the debt warrants shall commence and the date on which the right shall expire;

whether the debt securities purchasable upon exercise of the debt warrants are original issue discount debt securities, and discussion of applicable federal income tax considerations; and

whether the debt warrants represented by the debt warrant certificate will be issued in registered or bearer form, and, if registered, where they may be transferred and registered.

Debt warrant certificates will be exchangeable for new debt warrant certificates of different denominations and debt warrants may be exercised at the corporate trust office of the debt warrant agent or any other office indicated in the applicable prospectus supplement. Before the exercise of their debt warrants, holders of debt warrants will not have any of the rights of holders of the debt securities purchasable upon such exercise and will not be entitled to payments of principal, premium, if any, or interest, if any, on the debt securities purchasable upon such exercise.

Exercise of Debt Warrants

Each debt warrant will entitle the holder to purchase for cash the principal amount of debt securities at the exercise price determinable in the applicable prospectus supplement. Debt warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business of the expiration date, unexercised debt warrants will become void.

Debt warrants may be exercised as set forth in the applicable prospectus supplement relating to the debt warrants. Upon receipt of payment and the debt warrant certificate properly completed and duly executed at

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the corporate trust office of the debt warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, forward the debt securities purchasable upon such exercise. If less than all of the debt warrants represented by the debt warrant certificate are exercised, a new debt warrant certificate will be issued for the remaining amount of debt warrants.

DESCRIPTION OF COMMON STOCK

We may issue, separately or together with or upon conversion of or exchange for other securities, common stock (Common Stock), all as set forth in the applicable prospectus supplement. The following summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to our Amended Restated Certificate of Incorporation (the Restated Certificate of Incorporation) and our Bylaws, as amended (the Bylaws). A copy of each of the Restated Certificate of Incorporation and Bylaws are filed as exhibits to the registration statement of which this prospectus forms a part.

Authorized Shares

The total amount of our authorized capital stock consists of 1,000,000,000 shares of Common Stock, par value of \$0.25 per share, of which 406,166,805 shares were issued and outstanding as of July 31, 2001.

Dividends, Voting Rights and Liquidation

The holders of outstanding shares of our Common Stock are entitled to receive dividends out of assets legally available for the payment of dividends at the times and in the amounts as the Board of Directors may from time to time determine. The shares of our Common Stock are neither redeemable nor convertible, and the holders of our common stock have no preemptive or subscription rights to purchase any securities of Kellogg. Each outstanding share of our Common Stock is entitled to one vote on all matters submitted to a vote of stockholders. There is no cumulative voting. Upon any liquidation, dissolution or winding up of Kellogg, whether voluntary or involuntary, remaining net assets, if any, of Kellogg shall be distributed ratably to the holders of the Common Stock.

Certain Provisions of the Restated Certificate of Incorporation and Bylaws

The Restated Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors and which may have the effect of delaying, deferring or preventing a future takeover or change in control of Kellogg unless the takeover or change of control is approved by our Board of Directors. Such provisions may also render the removal of the current Board of Directors and of management more difficult.

Under the Restated Certificate of Incorporation, our Board of Directors is divided into three classes serving staggered three-year terms. Directors can be removed from office only for cause and only by the affirmative vote of the holders of two-thirds of the voting power of the then outstanding shares of our stock entitled to vote generally in the election of directors (the Voting Stock), voting together as a single class. Vacancies on the Board of Directors may only be filled by two-thirds of the remaining directors (or by a sole remaining director) and not by the stockholders, except in the case of newly created directorships, which may be filled by two-thirds of the remaining directors (or by a sole remaining director) or by the stockholders at the next annual or special meeting called for that purpose.

The Bylaws establish an advance notice procedure with regard to the nomination, other than by or at the direction of the Board of Directors, of candidates for election as directors and with regard to certain matters to be brought before an annual meeting of our stockholders. In general, notice must be received by us not less than 30 days prior to the anniversary date of the record date for determination of stockholders entitled to vote at the immediately preceding annual meeting of stockholders and must contain certain specified information concerning the person to be nominated or the matter to be brought before the meeting and concerning the stockholder submitting the proposal.

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The Restated Certificate of Incorporation also provides that mergers, sales of assets, liquidations or dissolutions of Kellogg must be approved by the affirmative vote of the holders of two-thirds of the Voting Stock, voting together as a single class, unless the transaction is approved by a majority of the Continuing Directors (as defined in the Restated Certificate of Incorporation). A Continuing Director is generally one which is neither an Affiliate nor Associate (each as defined in the Restated Certificate of Incorporation) of the entity with which Kellogg merges or consolidates or to whom it sells assets, as the case may be, or of any person that proposes a liquidation of Kellogg (other than our chief executive officer). The Restated Certificate of Incorporation provides that this provision may be altered or repealed only by the affirmative vote of the holders of two-thirds of the Voting Stock, voting together as a single class.

The requirement of a supermajority vote to approve certain corporate transactions and certain amendments to our Restated Certificate of Incorporation and Bylaws could enable a minority of our stockholders to exercise veto powers over such transactions and amendments.

Special meetings of stockholders may be called only by our Chairman of the Board (or a Vice Chairman in the absence of the Chairman or a President in the absence of a Chairman or Vice Chairman) or by a number of directors equal to two-thirds the total number of directorships fixed by a resolution adopted by the Board of Directors, whether or not such directorships are filled at the time. The Restated Certificate of Incorporation provides that stockholders may act only at an annual or special meeting and stockholders may not act by written consent.

DESCRIPTION OF COMMON STOCK WARRANTS

We may issue, together with other securities or separately, for the purchase of common stock (common stock warrants). The common stock warrants are to be issued under stock warrant agreements (each a stock warrant agreement) to be entered into between us and a bank or trust company, as stock warrant agent (the stock warrant agent), all as set forth in the applicable prospectus supplement. The stock warrant agent will act solely as our agent in connection with the common stock warrants of such series and will not assume any obligations or relationship of agency or trust for or with any holders or beneficial owners of common stock warrants. Copies of the forms of stock warrant agreements and the forms of warrant certificates (the Stock Warrant Certificates) will be filed in an amendment to the registration statement of which this prospectus is a part or filed in a Current Report on Form 8-K and incorporated by reference in the registration statement of which this prospectus is a part. The following description of certain provisions of the forms of stock warrant agreements and Stock Warrant Certificates does not purport to be complete and is subject to, and are qualified in their entirety by reference to, all the provisions of the stock warrant agreements and the Stock Warrant Certificates to be filed in an amendment to the registration statement of which this prospectus is a part or filed in a Current Report on Form 8-K and incorporated by reference in the registration statement of which this prospectus is a part.

General

If we offer warrants for the purchase of Common Stock, the applicable prospectus supplement will describe their terms, which may include the following:

the offering price of the common stock warrants, if any;

the procedures and conditions relating to the exercise of the common stock warrants;

the number of shares of Common Stock purchasable upon exercise of each stock warrant and the initial price at which the shares may be purchased upon exercise;

the date on which the right to exercise the common stock warrants shall commence and the date on which the right shall expire (the Expiration Date);

a discussion of Federal income tax considerations applicable to the exercise of common stock warrants;

call provisions of the common stock warrants, if any;

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anti-dilution provisions of the common stock warrants, if any; and

any other terms of the common stock warrants.

The shares of Common Stock issuable upon the exercise of the common stock warrants will, when issued in accordance with the stock warrant agreement, be fully paid and nonassessable.

Prior to the exercise of their common stock warrants, holders of common stock warrants will not have any of the rights of holders of the Common Stock purchasable upon such exercise, and will not be entitled to any dividend payments on the Common Stock purchasable upon such exercise.

Exercise of Common Stock Warrants

Each stock warrant will entitle the holder to purchase for cash the number of shares of Common Stock at the exercise price as shall in each case be set forth in, or be determinable as set forth in, the applicable prospectus supplement. Unless otherwise specified in the applicable prospectus supplement, common stock warrants may be exercised at any time up to the close of business on the Expiration Date set forth in the applicable prospectus supplement. After the close of business on the Expiration Date, unexercised common stock warrants will become void.

Common stock warrants may be exercised as set forth in the applicable prospectus supplement. Upon receipt of payment and the Stock Warrant Certificates properly completed and duly executed at the corporate trust office of the stock warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward a certificate representing the number of shares of Common Stock purchasable upon such exercise. If less than all of the common stock warrants represented by the Stock Warrant Certificate are exercised, a new Stock Warrant Certificate will be issued for the remaining amount of common stock warrants.

No fractional shares will be issued upon exercise of common stock warrants, but we will pay the cash value of any fractional shares otherwise issuable.

DESCRIPTION OF TRUST PREFERRED SECURITIES

This section describes the terms of the trust preferred securities that each Kellogg Company Capital Trust may offer from time to time. The particular terms of the trust preferred securities offered by any prospectus supplement and the extent to which the general provisions described below may apply to such securities will be outlined in the applicable prospectus supplement. The trust preferred securities may be issued from time to time in one or more series.

Each Kellogg trust may issue, from time to time, only one series of preferred securities. The declaration of trust for each trust will be qualified as an indenture under the Trust Indenture Act. The trust preferred securities will have the terms, including distributions, redemption, voting, liquidation and such other preferred, deferred or other special rights or such restrictions as shall be set forth in the declaration or made part of the declaration by the Trust Indenture Act, and which will mirror the terms of the subordinated debt securities held by the trust and described in the applicable prospectus supplement. The following summary does not purport to be complete and is subject in all respects to the provisions of the applicable declaration, which is filed as an exhibit to the registration statement of which this prospectus forms a part, and the Trust Indenture Act.

Reference is made to the prospectus supplement relating to the preferred securities of any trust for specific terms, including:

the distinctive designation of the trust preferred securities;

the number of trust preferred securities issued by the trust;

the annual distribution rate, or method of determining the rate, for trust preferred securities issued by the trust and the date or dates upon which distributions are payable; provided, however, that

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distributions on the trust preferred securities are payable on a quarterly basis to holders of the trust preferred securities as of a record date in each quarter during which the trust preferred securities are outstanding;

whether distributions on trust preferred securities issued by the trust are cumulative, and, in the case of trust preferred securities having cumulative distribution rights, the date or dates from which distributions will be cumulative;

the amount which shall be paid out of the assets of the trust to the holders of trust preferred securities upon voluntary or involuntary dissolution, winding-up or termination of trust;

the obligation or the option, if any, of a trust to purchase or redeem trust preferred securities and the price or prices at which, the period or periods within which, and the terms upon which, trust preferred securities issued by the trust may be purchased or redeemed;

the voting rights, if any, of trust preferred securities in addition to those required by law, including the number of votes per trust preferred security and any requirement for the approval by the holders of trust preferred securities, or of trust preferred securities issued by one or more trusts, or of both, as a condition to specified action or amendments to the declaration of the trust;

the terms and conditions, if any, upon which the subordinated debt securities may be distributed to holders of trust preferred securities;

whether the trust preferred securities will be convertible or exchangeable into common stock or other securities, and, if so, the terms and conditions upon which the conversion or exchange will be effected, including the initial conversion or exchange price or rate and any adjustments thereto, the conversion or exchange period and other conversion or exchange provisions;

if applicable, any securities exchange upon which the trust preferred securities shall be listed; and

any other relevant rights, preferences, privileges, limitations or restrictions of trust preferred securities issued by the trust not inconsistent with its declaration or with applicable law.

We will guarantee all trust preferred securities offered hereby to the extent set forth below under Description of Preferred Securities Guarantees. Certain United States federal income tax considerations applicable to any offering of trust preferred securities will be described in the applicable prospectus supplement.

In connection with the issuance of trust preferred securities, each trust will issue one series of common securities having the terms including distributions, redemption, voting and liquidation rights or such restrictions as shall be set forth in its declaration. The terms of the common securities will be substantially identical to the terms of the trust preferred securities issued by the trust and the common securities will rank equal with, and payments will be made thereon pro rata, with the trust preferred securities except that, upon an event of default under the declaration, the rights of the holders of the common securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the trust preferred securities. Except in certain limited circumstances, the common securities will carry the right to vote to appoint, remove or replace any of the trustees of a trust. Directly or indirectly, we will own all of the common securities of each trust.

Distributions

Distributions on the trust preferred securities will be made on the dates payable to the extent that the trust has funds available for the payment of distributions in the trust's property account. The trust's funds available for distribution to the holders of the trust securities will be limited to payments received from us on the subordinated debt securities issued to the trust in connection with the issuance of the trust preferred securities. We will guarantee the payment of distributions out of monies held by the trust to the extent set forth under Description of Preferred Securities Guarantees below.

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Deferral of Distributions

With respect to any subordinated debt securities issued to a trust, we will have the right under the terms of the subordinated debt securities to defer payments of interest on the subordinated debt securities by extending the interest payment period from time to time on the subordinated debt securities. As a consequence of our extension of the interest payment period on subordinated debt securities held by a trust, distributions on the trust preferred securities would be deferred during any such extended interest payment period. The trust will give the holders of the trust preferred securities notice of an extension period upon their receipt of notice from us. If distributions are deferred, the deferred distributions and accrued interest will be paid to holders of record of the trust preferred securities as they appear on the books and records of the trust on the record date next following the termination of the deferral period. The terms of any subordinated debt securities issued to a trust, including the right to defer payments of interest, will be described in the applicable prospectus supplement.

Mandatory Redemption

The trust preferred securities have no stated maturity date, but will be redeemed upon the maturity of the subordinated debt securities issued to the trust in connection with the issuance of the trust preferred securities or to the extent the subordinated debt securities are redeemed prior to maturity. The subordinated debt securities will mature on the date specified in the applicable prospectus supplement. The subordinated debt securities may be redeemed at our option, to the extent specified in the applicable prospectus supplement and may also be redeemed at any time, in whole although not in part, in certain circumstances upon the occurrence of a tax event or an investment company event as described under Special Event Redemption below.

Upon maturity of the subordinated debt securities, the proceeds of their repayment simultaneously will be applied to redeem all outstanding trust securities at the redemption price. Upon the redemption of the subordinated debt securities, either at our option or pursuant to a tax event or investment company event, the trust will use the cash it receives upon redemption to redeem trust securities having an aggregate principal amount equal to the aggregate principal amount of the subordinated debt securities so redeemed at the redemption price. Before such redemption, holders of trust securities will be given not less than 30 nor more than 60 days' notice. In the event that fewer than all of the outstanding trust securities are to be redeemed, the trust securities will be redeemed proportionately.

Special Event Redemption

Both a tax event and an investment company act event constitute special events for purposes of the redemption provisions described above.

A tax event means that the trust has received an opinion of tax counsel to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws or regulations of the United States or any of its political subdivisions or taxing authorities, or any official administrative pronouncement or judicial decision interpreting or applying these laws or regulations, which amendment or change is effective or such pronouncement or decision is announced on or after the date of the original issuance of the preferred securities, there is more than an insubstantial risk that:

the trust is or within 90 days would be subject to United States federal income tax with respect to income accrued or received on the subordinated debt securities;

interest payable to the trust on the subordinated debt securities is not or within 90 days would not be deductible, in whole or in part, by us for United States federal income tax purposes; or

the trust is or within 90 days would be subject to a more than a de minimis amount of other taxes, duties or other governmental charges.

An investment company event means that the trust has received an opinion of counsel to the effect that, as a result of the occurrence of a change in law or regulation or change in interpretation or application of law

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or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than a insubstantial risk that the trust is or will be considered an investment company required to be registered under the Investment Company Act, which change in law becomes effective on or after the date of the original issuance of the preferred securities.

Conversion or Exchange Rights

The terms on which the trust preferred securities or related subordinated debt securities will be convertible into or exchangeable for our common stock or other securities will be set forth in the applicable prospectus supplement. Those terms, if applicable, will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option, and may include provisions under which the number of shares of our common stock or other securities to be received by the holders of trust preferred securities or related subordinated debt securities would be subject to adjustment.

Distribution of Subordinated Debt Securities

We will have the right at any time to dissolve a trust and, after satisfaction of the liabilities of creditors of the trust as provided by applicable law, to cause the distribution of subordinated debt securities issued to the trust to the holders of the trust securities in a total stated principal amount equal to the total stated liquidation amount of the trust securities then outstanding. The right to dissolve the trust and distribute the subordinated debt securities will be conditioned on our receipt of an opinion rendered by tax counsel that the distribution would not be taxable for United States federal income tax purposes to the holders.

Enforcement of Certain Rights by Holders of Preferred Securities

If an event of default under the declaration of a trust occurs and is continuing, then the holders of trust preferred securities of such trust would rely on the enforcement by the property trustee of its rights as a holder of the applicable series of subordinated debt securities against us. In addition, the holders of a majority in liquidation amount of the trust preferred securities of such trust will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee or to direct the exercise of any trust or power conferred upon the property trustee to exercise the remedies available to it as a holder of the subordinated debt securities. If the property trustee fails to enforce its rights under the applicable series of subordinated debt securities, a holder of trust preferred securities of such trust may institute a legal proceeding directly against us to enforce the property trustee's rights under the applicable series of subordinated debt securities without first instituting any legal proceeding against the property trustee or any other person or entity.

Notwithstanding, if an event of default under the applicable declaration has occurred and is continuing and such event is attributable to the failure of Kellogg to pay interest or principal on the applicable series of subordinated debt securities on the date such interest or principal is otherwise payable or in the case of redemption, on the redemption date, then a holder of trust preferred securities of such trust may directly institute a proceeding for enforcement of payment to such holder of the principal of or interest on the applicable series of subordinated debt securities having a principal amount equal to the aggregate liquidation amount of the trust preferred securities of such holder on or after the respective due date specified in the applicable series of subordinated debt securities. In connection with such direct action, we will be subrogated to the rights of such holder of trust preferred securities under the applicable declaration to the extent of any payment made by us to such holder of trust preferred securities in such direct action.

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DESCRIPTION OF PREFERRED SECURITIES GUARANTEES

Set forth below is a summary of information concerning the preferred securities guarantees which we will execute and deliver for the benefit of the holders of trust preferred securities. Each preferred securities guarantee will be qualified as an indenture under the Trust Indenture Act. The preferred guarantee trustee will hold each guarantee for the benefit of the holders of the trust preferred securities to which it relates. The terms of each preferred securities guarantee will be those set forth in the preferred securities guarantee. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the form of preferred securities guarantee, which is filed as an exhibit to the registration statement of which this prospectus forms a part, and the Trust Indenture Act. Each preferred securities guarantee will be held by the preferred guarantee trustee for the benefit of the holders of the trust preferred securities of the applicable trust.

General

Pursuant to each preferred securities guarantee, we will agree to pay in full, to the holders of the trust preferred securities issued by a trust, the guarantee payments, except to the extent paid by the trust, as and when due, regardless of any defense, right of set-off or counterclaim which the trust may have or assert. The following payments with respect to trust preferred securities, to the extent not paid by the trust, will be subject to the preferred securities guarantee:

any accrued and unpaid distributions which are required to be paid on the trust preferred securities, to the extent the trust shall have funds legally and immediately available for those distributions;

the redemption price set forth in the applicable prospectus supplement to the extent the trust has funds legally and immediately available therefor with respect to any trust preferred securities called for redemption by the trust; and

upon a voluntary or involuntary dissolution, winding-up or termination of the trust, other than in connection with the distribution of subordinated debt securities to the holders of trust preferred securities or the redemption of all of the trust preferred securities, the lesser of (1) the aggregate of the liquidation amount and all accrued and unpaid distributions on the trust preferred securities to the date of payment, to the extent the trust has funds legally and immediately available, and (2) the amount of assets of the trust remaining available for distribution to holders of the trust preferred securities in liquidation of the trust.

Our obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by Kellogg to the holders of trust preferred securities or by causing the applicable trust to pay the amounts to the holders.

Each preferred securities guarantee will not apply to any payment of distributions on the trust preferred securities except to the extent the trust shall have funds available therefor. If we do not make interest payments on the subordinated debt securities purchased by a trust, the trust will not pay distributions on the trust preferred securities issued by the trust and will not have funds available therefor. The preferred securities guarantee, when taken together with our obligations under the subordinated debt securities, the subordinated indenture and the declaration, including our obligations to pay costs, expenses, debts and liabilities of the trust other than with respect to the trust securities, will provide a full and unconditional guarantee on a subordinated basis by us of payments due on the trust preferred securities.

We have also agreed separately to irrevocably and unconditionally guarantee the obligations of the trusts with respect to the common securities (our common securities guarantee) to the same extent as the preferred securities guarantee, except that upon an event of default under the subordinated indenture, holders of trust preferred securities shall have priority over holders of common securities with respect to distributions and payments on liquidation, redemption or otherwise.

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Certain Covenants of Kellogg

In each preferred securities guarantee, we will covenant that, so long as any trust preferred securities issued by the applicable trust remain outstanding, if there shall have occurred any event that would constitute an event of default under the preferred securities guarantee or the declaration of the trust, then, unless otherwise set forth in an applicable prospectus supplement we shall not:

declare or pay any dividend on, make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock;

make any guarantee payments with respect to any of our capital stock; or

make any payment of principal, interest, or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) that rank equal with or junior to such subordinated debt securities.

However, in such circumstances we may

declare and pay stock dividends on our capital stock payable in the same stock on which the dividend is paid;

redeem or repurchase any rights, declare a dividend of any rights, or issue any security under a rights plan;

purchase or acquire shares of our capital stock in connection with the satisfaction of our obligations under any employee benefit plan, stock option plan, employee stock purchase plan or direct reinvestment plan as may be in effect from time to time and satisfy our obligations pursuant to any contract or security outstanding on the date of the event requiring us to purchase our capital stock (other than a contractual obligation ranking pari passu or junior to the subordinated debt securities);

reclassify our capital stock or exchange or convert one class or series of our capital stock for another class or series of our capital stock, provided that the reclassification, exchange or conversion does not result in a change in the priority vis-a-vis the preferred securities of any class or series that is being so reclassified or that is the subject of the exchange or conversion; and

purchase fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of the capital stock or the security being converted or exchanged.

Modification of the Preferred Securities Guarantees; Assignment

Each preferred securities guarantee may be amended only with the prior approval of the holders of not less than a majority in liquidation amount of the outstanding trust preferred securities issued by the applicable trust except with respect to any changes which do not adversely affect the rights of holders of trust preferred securities in which case no vote will be required. All guarantees and agreements contained in a preferred securities guarantee shall bind our successors, assigns, receivers, trustees and representatives and shall inure to the benefit of the holders of the trust preferred securities of the applicable trust then outstanding.

Termination

Each preferred securities guarantee will terminate as to the trust preferred securities issued by the applicable trust:

upon full payment of the redemption price of all trust preferred securities of the trust;

upon distribution of the subordinated debt securities held by the trust to the holders of the trust preferred securities of the trust; or

upon full payment of the amounts payable in accordance with the declaration of the trust upon liquidation of the trust.

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Each preferred securities guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of trust preferred securities issued by the applicable trust must restore payment of any sums paid under the trust preferred securities or the preferred securities guarantee. The subordination provisions of the subordinated debt securities provide that in the event payment is made on the subordinated debt securities or the preferred securities guarantee in contravention of such provisions, such payments shall be paid over to the holders of senior indebtedness.

Events of Default

An event of default under a preferred securities guarantee will occur upon our failure to perform any of our payment or other obligations under the preferred securities guarantee.

The holders of a majority in liquidation amount of the trust preferred securities relating to such preferred securities guarantee have the right to direct the time, method and place of conducting any proceeding for any remedy available to the preferred guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the preferred guarantee trustee under such trust preferred securities. If the preferred guarantee trustee fails to enforce such preferred securities guarantee, any holder of trust preferred securities relating to such guarantee may institute a legal proceeding directly against Kellogg to enforce the preferred guarantee trustee's rights under such guarantee, without first instituting a legal proceeding against the relevant Kellogg trust, the guarantee trustee or any other person or entity. Notwithstanding, if we fail to make a guarantee payment, a holder of trust preferred securities may directly institute a proceeding against us for enforcement of the preferred securities guarantee for such payment. We waive any right or remedy to require that any action be brought first against such trust or any other person or entity before proceeding directly against us.

Status of the Preferred Securities Guarantees

Unless otherwise indicated in an applicable prospectus supplement, the preferred securities guarantees will constitute unsecured obligations of Kellogg and will rank:

subordinate and junior in right of payment to all other liabilities of Kellogg;

equal with the most senior preferred or preference stock now or hereafter issued by us and with any guarantee now or hereafter entered into by us in respect of any preferred or preference stock of any affiliate of Kellogg; and

senior to our common stock.

The terms of the trust preferred securities provide that each holder agrees to the subordination provisions and other terms of the preferred securities guarantee.

The preferred securities guarantees will constitute a guarantee of payment and not of collection; that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without instituting a legal proceeding against any other person or entity.

Information Concerning the Preferred Guarantee Trustee

The preferred guarantee trustee, before the occurrence of a default with respect to a preferred securities guarantee, undertakes to perform only such duties as are specifically set forth in such preferred securities guarantee and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. The preferred guarantee trustee is under no obligation to exercise any of the powers vested in it by a preferred securities guarantee at the request of any holder of preferred securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred.

Governing Law

The preferred securities guarantees will be governed by and construed in accordance with the internal laws of the State of New York.

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DESCRIPTION OF PURCHASE CONTRACTS

We may issue, from time to time, purchase contracts, including contracts obligating holders to purchase from us and us to sell to the holders, a specified principal amount of debt securities or a specified number of shares of common stock or any of the other securities that we may sell under this prospectus at a future date or dates. The consideration payable upon settlement of the purchase contracts may be fixed at the time the purchase contracts are issued or may be determined by a specific reference to a formula set forth in the purchase contracts. The purchase contracts may be issued separately or as part of units consisting of a purchase contract and other securities or obligations issued by us or third parties, including United States treasury securities, securing the holders' obligations to purchase the relevant securities under the purchase contracts. The purchase contracts may require us to make periodic payments to the holders of the purchase contracts or units or vice versa, and the payments may be unsecured or prefunded on some basis. The purchase contracts may require holders to secure their obligations under the purchase contracts.

The prospectus supplement will describe the terms of any purchase contracts. The description in the prospectus supplement will not necessarily be complete and will be qualified in its entirety by reference to the purchase contracts, and, if applicable, collateral arrangements and depositary arrangements, relating to the purchase contracts.

DESCRIPTION OF UNITS

We may, from time to time, issue units comprised of one or more of the other securities that may be offered under this prospectus, in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately at any time, or at any time before a specified date.

Any applicable prospectus supplement will describe:

the material terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any material provisions relating to the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and

any material provisions of the governing unit agreement that differ from those described above.

PLAN OF DISTRIBUTION

We may, and in the case of the trust preferred securities, a Kellogg Company Capital Trust may, sell the securities being offered directly to one or more purchasers, through agents, to or through underwriters or dealers, or through a combination of any such methods of sale. The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The prospectus supplement will set forth the terms of the offering of the offered securities, including the name or names of any underwriters, dealers or agents, the purchase price of such securities and the proceeds to us and/or a trust from such sale, any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price and any discounts or concessions allowed or paid to dealers or any securities exchange on which such securities may be listed. Any initial public offering price, discounts or concessions allowed or paid to dealers may be changed from time to time.

Any discounts, concessions or commissions received by underwriters or agents and any profits on the resale of securities by them may be deemed to be underwriting discounts and commissions under the Securities Act. Unless otherwise set forth in the applicable prospectus supplement, the obligations of

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underwriters to purchase the offered securities will be subject to certain conditions precedent, and such underwriters will be obligated to purchase all such securities, if any are purchased. Unless otherwise indicated in the applicable prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

Under certain circumstances, we may repurchase offered securities and reoffer them to the public as set forth above. We may also arrange for repurchase and resale of such offered securities by dealers.

We may authorize underwriters, dealers or other persons acting as our agents to solicit offers by certain institutions to purchase securities from us, pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the conditions that the purchase of the offered securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

In connection with the offering of securities, Kellogg or any trust may grant to the underwriters an option to purchase additional securities to cover over-allotments, if any, at the initial public offering price, with an additional underwriting commission, as may be set forth in the accompanying prospectus supplement. If Kellogg or any trust grants any over-allotment option, the terms of such over-allotment option will be set forth in the prospectus supplement for such securities.

The securities may be a new issue of securities that have no established trading market. Any underwriters to whom securities are sold for public offering and sale may make a market in such securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. Such securities may or may not be listed on a national securities exchange. No assurance can be given as to the liquidity of or the existence of trading markets for any securities.

Under agreements which may be entered into by Kellogg or any trust, underwriters and agents who participate in the distribution of securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act of 1933, or to contribution with respect to payments which the underwriters or agents may be required to make in respect thereof. Such underwriters and agents may be customers of, engaged in transactions with, or perform other services for Kellogg and its subsidiaries from time to time.

LEGAL OPINIONS

The validity of the securities offered hereby will be passed upon by Kirkland & Ellis, a partnership including professional corporations, Chicago, Illinois, as counsel for Kellogg Company and Richards, Layton & Finger, P.A., Delaware, as counsel for the Kellogg Company Capital Trusts.

EXPERTS

The financial statements of Kellogg incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2000, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Kellogg incorporated in this prospectus by reference to the Current Report on Form 8-K filed on April 2, 2001, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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