KROGER CO
Form PRE 14A
April 30, 2010

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

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

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

(Name of Registrant as Specified In Its Charter)

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

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1) Amount previously paid:

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3) Filing Party:

4) Date Filed:

PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

AND

2009 ANNUAL REPORT

FELLOW SHAREHOLDERS:

The Kroger team delivered solid results in 2009. In doing so, we further strengthened our competitive position – improving our unique advantage in the marketplace by continuing to successfully execute our Customer 1st business strategy in one of the most challenging retail environments in recent history.

As a Shareholder of Kroger, you should know that our Customers always come first. This philosophy drives our focus on programs that help loyal Customers get even more value as they shop more frequently in our stores. This Customer-centric approach also drives the increase in the total number of loyal Customers we serve.

2009 Highlights

We generated an increase in total sales to $76.7 billion and reported net earnings of $70 million or $0.11 per diluted share. Excluding the effect of a non-cash impairment charge taken in the third quarter for southern California assets, the net earnings for fiscal 2009 would have been $1.12 billion or $1.71 per diluted share.

Even in the face of high unemployment, unprecedented deflation, and a weak U.S. economy, Kroger improved its operational performance and continued to focus on creating value for our Shareholders. We did this by:

- Increasing revenue from loyal households;
- Generating strong tonnage growth;
- Growing identical sales;
- Investing in our stores to keep them fresh and inviting;
- Increasing market share;
- Returning more than $450 million to our Shareholders; and
- Listening to our Customers and Associates.

We are increasing revenue from loyal households.

By offering a unique and personalized value proposition for our diverse shoppers, we increased the number of households that are loyal to Kroger and earned a greater share of their business. These loyal households represent our very best Customers.

Kroger's unique offerings include rewarding Customers for their loyalty in multiple ways, tailoring offers that are meaningful to their individual households through the use of our robust shopper loyalty data, and delighting them with a pleasant and convenient shopping experience.

We are generating strong tonnage growth.

Strong growth in sales of our Corporate Brands along with national brand items is driving the most dramatic tonnage growth in Kroger's history. Our strong volume growth is a direct result of our investments in pricing, service and product offering and is among the strongest in the industry in both perishable and non-perishable categories. Our associates in our plants, warehouses and stores are doing an outstanding job keeping up with the tremendous volume growth we are generating.

We are growing identical sales.

Throughout 2009, Kroger successfully grew identical sales, one of the key objectives of our business model. Identical supermarket sales increased 2.1%, without fuel, compared with the prior year. Through the efforts of all of our Associates, we continue to widen the gap between Kroger's identical sales growth trends and those of most of our competitors. We believe this trend has extremely positive implications for our Associates, Customers and Shareholders both now and as we continue to grow our business.

We continue to invest in our stores to keep them fresh and inviting for Customers.

Our remodeled stores continue to generate favorable returns and we plan to continue on our steady course of remodeling stores and other assets to keep them innovative and appealing to our Customers. These projects enhance the overall shopping experience for our Customers, improve the work environment for our Associates, and help drive sales. Remodels also enable us to utilize more efficient technology, which creates cost savings we can invest in our strategy.

We are increasing Kroger's market share.

Growing market share is an important part of Kroger's long-term strategy. In 2009, Kroger's overall market share increased approximately 60 basis points, according to Nielsen Homescan Data. Kroger's market share increased in 13 of the 17 marketing areas outlined by the Nielsen report, declined in three, and remained unchanged in one.

We are rewarding our Shareholders.

In 2009, we returned more than $450 million to our Shareholders through our dividend program and share repurchases. We increased our quarterly dividend in 2009 by more than 5% per share in a year when many large companies reduced or eliminated dividends. This marked the third increase in the quarterly dividend since the program was initiated in 2006. In 2009, Kroger paid $237.6 million in cash dividends. Kroger's dividend enhances total shareholder return by more than 1.5% on an annual basis. During the year, Kroger repurchased 10.3 million shares of stock at an average price of $21.25 per share for a total investment of $218.3 million.

We listen to our Customers and Associates.

Every quarter, we track what our Customers say about us in four key areas: our people, our prices, our products, and the overall shopping experience in our stores. Their feedback helps us offer a better overall shopping experience. It includes clean stores with quick checkout lines; well-trained, friendly Associates; and a relevant assortment of products that offer more value for the way our Customers live.

In 2009, our Customers told us we improved more in each of our key Customer 1st areas than in any year since we began these Customer surveys in 2004. We saw a good balance of improvement across all four keys. These surveys provide meaningful insight we can act on immediately. We will continue to seek feedback from our Customers and incorporate what they tell us into the way we manage our business. We conduct similar surveys of our Associates and continue to make improvements based on what our Associates tell us is important to them. Associate engagement is a critical part of our Customer 1st strategy.

We are committed to safety.

Safety is a core value at Kroger. As a result of our deeply engaging safety programs, we have reduced our accident rates in our stores and plants by 72% over the past 14 years. We continue to strive to achieve our goal of zero accidents.

We partner with our Customers and Associates to support the communities we serve.

We touch the lives of millions of Customers every day through our family of stores. We consider it a privilege to partner with our Customers and Associates to improve the communities we serve. We focus our efforts on hunger relief, local community organizations, especially K-12 schools, and women's health initiatives. In 2009, our family of stores, the Kroger Foundation, and our Associates and Customers donated more than $150 million to support organizations and causes that are important to them.

Every year, Kroger proudly recognizes some of the many Associates who make outstanding contributions to their communities. The winners of The Kroger Co. Community Service Award for 2009 are listed following this letter.

We are proud of what our Associates accomplished throughout the year and we look forward to building on this momentum.

We continue to make strong progress on our Sustainability agenda.

At Kroger, we have four focus areas for Sustainability:

1) Using energy more efficiently, which reduces our carbon footprint;

2) Recycling and reducing waste, including plastic bags and waste generated in our stores;

3) Reducing the effects of our supply chain;

4) Enabling our Customers and Associates to improve their own communities and take meaningful steps to protect the environment.

In 2009, we continued our aggressive program to reduce energy usage in our stores and plants. In the past 10 years, Kroger has reduced its energy consumption by more than 27%. This year, we installed LED lighting and energy-efficient motors in freezer cases in many of our stores.

We are off to a good start toward our waste reduction goal of saving 1 billion plastic bags. Our Associates are helping us achieve this goal by increasing the number of items placed in each bag while still meeting the needs of Customers. At the same time, our Customers are using more reusable bags for their shopping trips. Every reusable bag has the potential to save 1,000 plastic bags over its lifetime.

Our fleet efficiency improved by more than 7% in 2009, meaning our Logistics team delivered more cases of products per gallon of fuel used.

As Customer interest in buying locally grown products has increased, we have standardized programs to make it easier for our stores to source fresh products from local farmers and small businesses, reducing transportation and minimizing handling.

We are confronting our challenges.

As we look ahead, the slow pace of the economic recovery will continue to influence Kroger's business in fiscal 2010. Unemployment levels remain high, suppressing consumer confidence and spending. Volatility in inflation or deflation and changes in the competitive landscape will continue to affect our business in the coming year. Significant increases in health care and pension costs, as well as credit card fees, will also affect our business. We will address these challenges, and others, as we continue to grow our business over the long term.

Kroger stands apart from others in our industry because of our Customer 1st strategy and our Associates' commitment to making it a reality every day for every Customer who visits one of our stores.

We believe Kroger will continue to be in the best position to deliver Shareholder value now and as the economy and consumer confidence improve.

On behalf of the entire Kroger team, thank you for your continued trust and support.

David B. Dillon
Chairman of the Board and
Chief Executive Officer

Congratulations to the winners of The Kroger Co. Community Service Award for 2009:

Division	Recipient
Atlanta	Greg Smith
Central	Chris Fought
Cincinnati	Cultural Advisory Council
City Market	Linda Dukart
Columbus	Doug Jarrells
Delta	Steven Hicks
Dillon Stores	Monte Werth
Food 4 Less	Teri Roach
Fred Meyer	Andrew Thompson
Fry’s	Robert & Laura Hamblen
Jay C Stores	William E. Lee
King Soopers	Ron Daniels
Michigan	Denise Bennett
Mid-Atlantic	Rick Ramsuer
Mid-South	Betty “Joe” Hughes
QFC	Ronald Davidson
Ralphs	Frank Devera
Smith’s	Sub for Santa Committee - Store 477
Southwest	JoAnn “JoJo” Garcia

KB Specialty Foods	Laurie Foster
Layton Dairy	Tom Ostler
Pace Dairy Food of Indiana	Annette Hitch
State Avenue	Wendell Lundy

Corporate	Kelly Lee

Turkey Hill Dairy	Protectors of the Tea (Highville Fire Co.)
Turkey Hill Minit Markets	Erin Dimitriou Smith
Logistics	Patti Murray

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Cincinnati, Ohio, May 14, 2010

To All Shareholders of The Kroger Co.:

The annual meeting of shareholders of The Kroger Co. will be held at the DUKE ENERGY CONVENTION CENTER, Junior Ballroom, 3rd Floor, 525 Elm Street, Cincinnati, Ohio 45202, on June 24, 2010, at 11 a.m., eastern time, for the following purposes:

1. To elect the directors for the ensuing year;

2. To consider and act upon a proposal to adopt an amendment to the Company's Amended Articles of Incorporation;

3. To consider and act upon a proposal to ratify the selection of independent auditors for the year 2010;

4. To act upon a shareholder proposal, if properly presented at the annual meeting; and

5. To transact such other business as may properly be brought before the meeting;

all as set forth in the Proxy Statement accompanying this Notice. Holders of common shares of record at the close of business on April 26, 2010 will be entitled to vote at the meeting.

ATTENDANCE

Only shareholders and persons holding proxies from shareholders may attend the meeting. Please bring to the meeting the notice of the meeting or the top portion of your proxy card that was mailed to you as this will serve as your admission ticket. Several parking areas are located in close proximity to the Duke Energy Convention Center, including the Sixth Street Parking Garage that connects to the Convention Center via the Skywalk.

YOUR MANAGEMENT DESIRES TO HAVE A LARGE NUMBER OF SHAREHOLDERS REPRESENTED AT THE MEETING, IN PERSON OR BY PROXY. PLEASE VOTE YOUR PROXY ELECTRONICALLY VIA THE INTERNET OR BY TELEPHONE. IF YOU HAVE ELECTED TO RECEIVE PRINTED MATERIALS, YOU MAY SIGN AND DATE THE PROXY AND MAIL IT IN THE SELF-ADDRESSED ENVELOPE PROVIDED. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

If you are unable to attend the annual meeting, you may listen to a live webcast of the meeting, which will be accessible through our website, www.thekrogerco.com, at 11 a.m., eastern time.

By order of the Board of Directors,
Paul W. Heldman, Secretary

PROXY STATEMENT

Cincinnati, Ohio, May 14, 2010

Your proxy is solicited by the Board of Directors of The Kroger Co., and the cost of solicitation will be borne by Kroger. We will reimburse banks, brokers, nominees, and other fiduciaries for postage and reasonable expenses incurred by them in forwarding the proxy material to their principals. Kroger has retained D.F. King & Co., Inc., 48 Wall Street, New York, New York, to assist in the solicitation of proxies and will pay that firm a fee estimated at present not to exceed $15,000. Proxies may be solicited personally, by telephone, electronically via the Internet, or by mail.

David B. Dillon, John T. LaMacchia, and Bobby S. Shackouls, all of whom are Kroger directors, have been named members of the Proxy Committee.

The principal executive offices of The Kroger Co. are located at 1014 Vine Street, Cincinnati, Ohio 45202-1100. Our telephone number is 513-762-4000. This Proxy Statement and Annual Report, and the accompanying proxy, were first furnished to shareholders on May 14, 2010.

As of the close of business on April 26, 2010, our outstanding voting securities consisted of 644,849,993 shares of common stock, the holders of which will be entitled to one vote per share at the annual meeting. The shares represented by each proxy will be voted unless the proxy is revoked before it is exercised. Revocation may be in writing to Kroger's Secretary, or in person at the meeting, or by appointment of a subsequent proxy. Shareholders may not cumulate votes in the election of directors.

The effect of broker non-votes and abstentions on matters presented for shareholder vote is as follows:

Item No. 1, Election of Directors – The election of directors is determined by plurality. Broker non-votes and abstentions will have no effect on this proposal.

Item No. 2, Amendment to Amended Articles of Incorporation – The affirmative vote representing a majority of the outstanding common shares is required to amend Kroger's Amended Articles of Incorporation as set forth in this Proxy Statement. Accordingly, broker non-votes and abstentions will have the same effect as votes against this proposal.

Item No. 3, Selection of Auditors – Ratification by shareholders of the selection of auditors requires the affirmative vote of the majority of shares participating in the voting. Accordingly, abstentions will have no effect on this proposal.

Item No. 4, Shareholder Proposal – The affirmative vote of a majority of shares participating in the voting on a shareholder proposal is required for its adoption. Proxies will be voted AGAINST this proposal unless the Proxy Committee is otherwise instructed on a proxy properly executed and returned. Abstentions and broker non-votes will have no effect on this proposal.

PROPOSALS TO SHAREHOLDERS

ELECTION OF DIRECTORS
(ITEM NO. 1)

The Board of Directors, as now authorized, consists of fourteen members. All members are to be elected at the annual meeting to serve until the annual meeting in 2011, or until their successors have been elected by the shareholders or by the Board of Directors pursuant to Kroger's Regulations, and qualified. Candidates for director receiving the greatest number of votes cast by holders of shares entitled to vote at a meeting at which a quorum is present are elected, up to the maximum number of directors to be chosen at the meeting. Pursuant to guidelines adopted by the Board, in an uncontested election where cumulative voting is not in effect, any nominee who receives a greater number of votes "withheld" from his or her election than votes "for" such election promptly will tender his or her resignation following certification of the shareholder vote. The Corporate Governance Committee of our Board of Directors will consider the resignation offer and recommend to the Board whether to accept the resignation.

The experience, qualifications, attributes, and skills that led the Corporate Governance Committee and the Board to conclude that the following individuals should serve as directors are set forth opposite each individual's name. The committee memberships stated below are those in effect as of the date of this proxy statement. It is intended that, except to the extent that authority is withheld, proxies will be voted for the election of the following persons:

Name	Professional Occupation (1)	Age	Director Since
	NOMINEES FOR DIRECTOR FOR TERMS OF OFFICE CONTINUING UNTIL 2011		
Reuben V. Anderson	Mr. Anderson is a Senior Partner in the Jackson, Mississippi office of Phelps Dunbar, a regional law firm based in New Orleans. Prior to joining this law firm, he was a justice of the Supreme Court of Mississippi. Mr. Anderson is a director of AT&T Inc., and during the past five years was a director of AT&T Inc., BellSouth Corporation, Burlington Resources Inc., and Trustmark Corporation. He is a member of the Corporate Governance and Public Responsibilities Committees. Mr. Anderson has extensive litigation experience, and he served as the first African-American Justice on the Mississippi Supreme Court. His knowledge and judgment gained through years of legal practice are of great value to the Board. In addition, as former Chairman of the Board of Trustees of Tougaloo College and a resident of Mississippi, he brings to the Board his insights into the African-American community and the southern region of the United States. Mr. Anderson has served on numerous board committees, including audit, public policy, finance, executive, and nominating committees.	67	1991

Name	Professional Occupation (1)	Age	Director Since
Robert D. Beyer	Mr. Beyer is Chairman of Chaparal Investments LLC, a private investment firm and holding company that he founded in 2009. From 2005 to 2009, Mr. Beyer served as Chief Executive Officer of The TCW Group, Inc., a global investment management firm. From 2000 to 2005, he served as President and Chief Investment Officer of Trust Company of the West, the principal operating subsidiary of TCW. Mr. Beyer is a member of the Board of Directors of The Allstate Corporation, and in the past five years was a director of The TCW Group, Inc. and its parent, Société Générale Asset Management, S.A. He is chair of the Financial Policy Committee and a member of the Compensation Committee. Mr. Beyer brings to Kroger his experience as CEO of TCW, a global investment management firm serving many of the largest institutional investors in the U.S. He has exceptional insight into Kroger's financial strategy, and his experience qualifies him to chair the Financial Policy Committee. While at TCW, he also conceived and developed the firm's risk management infrastructure, an experience that is useful to the Kroger Board in performing its risk management oversight functions. His experience in managing compensation programs makes him a valued member of the Compensation Committee. His abilities and service as a director were recognized by his peers, who selected Mr. Beyer as an Outstanding Director in 2008 as part of the Outstanding Directors Program of the Financial Times.	50	1999
David B. Dillon	Mr. Dillon was elected Chairman of the Board of Kroger in 2004, Chief Executive Officer in 2003, and President and Chief Operating Officer in 2000. He served as President in 1999, and as President and Chief Operating Officer from 1995 to 1999. Mr. Dillon was elected Executive Vice President of Kroger in 1990 and President of Dillon Companies, Inc. in 1986. He is a director of Convergys Corporation, and has served on that board during the past five years. Mr. Dillon brings to Kroger his extensive knowledge of the supermarket business, having over 30 years of experience with Kroger and Dillon Companies. In addition to his depth of knowledge of Kroger and the fiercely competitive industry in which Kroger operates, he has gained a wealth of experience by serving on compensation and governance committees of another board.	59	1995

Name	Professional Occupation (1)	Age	Director Since
Susan J. Kropf	Ms. Kropf was President and Chief Operating Officer of Avon Products Inc., a manufacturer and marketer of beauty care products, from 2001 until her retirement in January 2007. She joined Avon in 1970. Prior to her most recent assignment, Ms. Kropf had been Executive Vice President and Chief Operating Officer, Avon North America and Global Business Operations from 1998 to 2000. From 1997 to 1998 she was President, Avon U.S. Ms. Kropf was a member of Avon's Board of Directors from 1998 to 2006. She currently is a member of the Board of Directors of Coach, Inc., MeadWestvaco Corporation, and Sherwin Williams Company. Ms. Kropf has served on those boards, as well as the board of Avon Products, during the past five years. She is a member of the Audit and Public Responsibilities Committees. Ms. Kropf has gained a unique consumer insight, having led a major beauty care company. She has extensive experience in manufacturing, marketing, supply chain operations, customer service, and product development, all of which assist her in her role as a member of Kroger's Board. Ms. Kropf has a strong financial background, and has served on compensation, audit, and corporate governance committees of other boards. She was inducted into the YWCA Academy of Women Achievers.	61	2007
John T. LaMacchia	Mr. LaMacchia served as Chairman of the Board of Tellme Networks, Inc., a provider of voice application networks, from September 2001 to May 2007. From September 2001 through December 2004 he was also Chief Executive Officer of Tellme Networks. From May 1999 to May 2000 Mr. LaMacchia was Chief Executive Officer of CellNet Data Systems, Inc., a provider of wireless data communications. From October 1993 through February 1999, he was President and Chief Executive Officer of Cincinnati Bell Inc. During the past five years, Mr. LaMacchia served on the board of Burlington Resources Inc. He is chair of the Compensation Committee and a member of the Corporate Governance Committee. Mr. LaMacchia brings to Kroger his tenure leading both large and small companies. He has developed expertise in compensation and governance issues through his experience on compensation and corporate governance committees of Kroger and other boards.	68	1990

Name	Professional Occupation (1)	Age	Director Since
David B. Lewis	Mr. Lewis is Chairman of Lewis & Munday, a Detroit based law firm with offices in Washington, D.C., Seattle, and Hartford. He is a director of H&R Block, and has served on that Board during the past five years. Previously, Mr. Lewis has served on the Board of Directors of Conrail, Inc., LG&E Energy Corp., Lewis & Thompson Agency, Inc., M.A. Hanna, TRW, Inc., and Comerica, Inc. He is a member of the Financial Policy Committee and vice chair of the Public Responsibilities Committee. In addition to his background as a practicing attorney and expertise in bond financing, Mr. Lewis brings to Kroger's Board his financial background gained while earning his MBA in Finance as well as his service and leadership on Kroger's and other audit committees. He is a former chairman of the National Association of Securities Professionals.	65	2002
W. Rodney McMullen	Mr. McMullen was elected President and Chief Operating Officer of Kroger in August 2009. Prior to that he was elected Vice Chairman in 2003, Executive Vice President in 1999, and Senior Vice President in 1997. Mr. McMullen is a director of Cincinnati Financial Corporation, and has served on that Board during the past five years. Mr. McMullen has broad experience in the supermarket business, having spent his career spanning over 30 years with Kroger. He has a strong financial background and played a major role as architect of Kroger's strategic plan. Mr. McMullen is actively involved in the day-to-day operations of Kroger. His service on the compensation, executive, and investment committees of Cincinnati Financial Corporation adds depth to his extensive retail experience.	49	2003
Jorge P. Montoya	Mr. Montoya was President of The Procter & Gamble Company's Global Snacks & Beverage division, and President of Procter & Gamble Latin America, from 1999 until his retirement in 2004. Prior to that, he was an Executive Vice President of Procter & Gamble, a provider of branded consumer packaged goods, from 1995 to 1999. Mr. Montoya is a director of The Gap, Inc., and served on the Board of Rohm & Haas Company during the past five years. He is chair of the Public Responsibilities Committee and a member of the Compensation Committee. Mr. Montoya brings to Kroger's Board over 30 years of leadership experience at a premier consumer products company. He has a deep knowledge of the Hispanic market, as well as consumer products and retail operations. Mr. Montoya has vast experience in marketing and general management, including international business. He was named among the 50 most important Hispanics in Business & Technology, in Hispanic Engineer & Information Technology Magazine.	63	2007

Name	Professional Occupation (1)	Age	Director Since
Clyde R. Moore	Mr. Moore is the Chairman and Chief Executive Officer of First Service Networks, a national provider of facility and maintenance repair services. He is a director of First Service Networks. Mr. Moore is a member of the Compensation and Corporate Governance Committees. Mr. Moore has over 25 years of general management experience in public and private companies. He has sound experience as a corporate leader overseeing all aspects of a facilities management firm and a manufacturing concern. Mr. Moore's expertise broadens the scope of the Board's experience to provide oversight to Kroger's facilities and manufacturing businesses.	56	1997
Susan M. Phillips	Dr. Phillips is Dean and Professor of Finance at The George Washington University School of Business, a position she has held since 1998. She was a member of the Board of Governors of the Federal Reserve System from December 1991 through June 1998. Before her Federal Reserve appointment, Dr. Phillips served as Vice President for Finance and University Services and Professor of Finance in The College of Business Administration at the University of Iowa from 1987 through 1991. She is a director of State Farm Mutual Automobile Insurance Company, State Farm Life Insurance Company, State Farm Companies Foundation, National Futures Association, and the Chicago Board Options Exchange. Dr. Phillips also is a trustee of the Financial Accounting Foundation. She is a member of the Audit and Financial Policy Committees. Dr. Phillips brings to the Board strong financial acumen, along with a deep understanding of, and involvement with, the relationship between corporations and the government. Her experience in academia brings a unique and diverse viewpoint to the deliberations of the Board. Dr. Phillips has been designated an Audit Committee financial expert.	65	2003

Name	Professional Occupation (1)	Age	Director Since
Steven R. Rogel	Mr. Rogel was elected Chairman of the Board of Weyerhaeuser Company, a forest products company, in 1999 and was President and Chief Executive Officer and a director thereof from December 1997 to January 1, 2008 when he relinquished the role of President. He relinquished the CEO role in April of 2008 and retired as Chairman as of April 2009. Before that time Mr. Rogel was Chief Executive Officer, President and a director of Willamette Industries, Inc. He served as Chief Operating Officer of Willamette Industries, Inc. until October 1995 and, before that time, as an executive and group vice president for more than five years. Mr. Rogel is a director of Union Pacific Corporation and EnergySolutions, Inc. He is a member of the Corporate Governance and Financial Policy Committees. Mr. Rogel has extensive experience in management of large corporations at all levels. He brings to the Board a unique perspective, having led a national supplier of paper products prior to his recent retirement. Mr. Rogel previously served as Kroger's Lead Director, and has served on compensation, finance, audit, and governance committees of other corporations.	67	1999
James A. Runde	Mr. Runde is a special advisor and a former Vice Chairman of Morgan Stanley, a financial services provider, where he has been employed since 1974. He was a member of the Board of Directors of Burlington Resources Inc. prior to its acquisition by ConocoPhillips in 2006. Mr. Runde serves as a trustee of Marquette University and the Pierpont Morgan Library. He is a member of the Compensation and Financial Policy Committees. Mr. Runde brings to Kroger's Board a strong financial background, having led a major financial services provider. He has served on the compensation committee of a major corporation.	63	2006
Ronald L. Sargent	Mr. Sargent is Chairman and Chief Executive Officer of Staples, Inc., a consumer products retailer, where he has been employed since 1989. Prior to joining Staples, Mr. Sargent spent 10 years with Kroger in various positions. In addition to serving as a director of Staples, Mr. Sargent is a director of Mattel, Inc. He is chair of the Audit Committee and a member of the Public Responsibilities Committee. Mr. Sargent has over 30 years of retail experience, first with Kroger and then with increasing levels of responsibility and leadership at Staples, Inc. His efforts helped carve out a new market niche for the international retailer that he leads. His understanding of retail operations and consumer insights are of particular value to the Board. Mr. Sargent has been designated an Audit Committee financial expert.	54	2006

Name	Professional Occupation (1)	Age	Director Since
Bobby S. Shackouls	Until the merger of Burlington Resources Inc. and ConocoPhillips, which became effective in 2006, Mr. Shackouls was Chairman of the Board of Burlington Resources Inc., a natural resources business, since July 1997 and its President and Chief Executive Officer since December 1995. He had been a director of that company since 1995 and President and Chief Executive Officer of Burlington Resources Oil and Gas Company (formerly known as Meridian Oil Inc.), a wholly-owned subsidiary of Burlington Resources, since 1994. Mr. Shackouls is a director of ConocoPhillips. He has been appointed by Kroger's Board to serve as Lead Director. Mr. Shackouls is chair of the Corporate Governance Committee and a member of the Audit Committee. Mr. Shackouls brings to the Board the critical thinking that comes with a chemical engineering background. His guidance of a major natural resources company, coupled with his corporate governance expertise, forms the foundation of his leadership role on Kroger's Board.	59	1999

(1) Except as noted, each of the directors has been employed by his or her present employer (or a subsidiary) in an executive capacity for at least five years.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

COMMITTEES OF THE BOARD

The Board of Directors has a number of standing committees including Audit, Compensation, and Corporate Governance Committees. All standing committees are composed exclusively of independent directors. All Board committees have charters that can be found on our corporate website at www.thekrogerco.com under Guidelines on Issues of Corporate Governance. During 2009, the Audit Committee met seven times, the Compensation Committee met six times, and the Corporate Governance Committee met two times. Committee memberships are shown on pages 8 through 14 of this Proxy Statement. The Audit Committee reviews financial reporting and accounting matters pursuant to its charter and selects our independent accountants. The Compensation Committee recommends for determination by the independent members of our Board the compensation of the Chief Executive Officer, determines the compensation of Kroger’s other senior management, and administers some of our incentive programs. Additional information on the Compensation Committee’s processes and procedures for consideration of executive compensation are addressed in the Compensation Discussion and Analysis below. The Corporate Governance Committee develops criteria for selecting and retaining members of the Board, seeks out qualified candidates for the Board, and reviews the performance of Kroger, the Board, and along with the other independent board members, the CEO.

The Corporate Governance Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. Recommendations relating to our annual meeting in June 2011, together with a description of the proposed nominee’s qualifications and other relevant information, must be submitted in writing to Paul W. Heldman, Secretary, and received at our executive offices not later than January 14, 2011. Shareholders who desire to submit a candidate for director should send the name of the proposed candidate, along with information regarding the proposed candidate’s background and experience, to the attention of Kroger’s Secretary at our executive offices. The shareholder also should indicate the number of shares beneficially owned by the shareholder. The Secretary will forward the information to the Corporate Governance Committee for its consideration. The Committee will use the same criteria in evaluating candidates submitted by shareholders as it uses in evaluating candidates identified by the Committee. These criteria are:

- Demonstrated ability in fields considered to be of value in the deliberations of the Board, including business management, public service, education, science, law, and government;
- Highest standards of personal character and conduct;
- Willingness to fulfill the obligations of directors and to make the contribution of which he or she is capable, including regular attendance and participation at Board and committee meetings, and preparation for all meetings, including review of all meeting materials provided in advance of the meeting; and
- Ability to understand the perspectives of Kroger’s customers, taking into consideration the diversity of our customers, including regional and geographic differences.

Racial, ethnic, and gender diversity is an important element in promoting full, open, and balanced deliberations of issues presented to the Board, and is considered by the Corporate Governance Committee. Some consideration also is given to the geographic location of director candidates in order to provide a reasonable distribution of members from the operating areas of the Company.

The Corporate Governance Committee typically recruits candidates for Board membership through its own efforts and through suggestions from other directors and shareholders. The Committee on occasion has retained an outside search firm to assist in identifying and recruiting Board candidates who meet the criteria established by the Committee.

CORPORATE GOVERNANCE

The Board of Directors has adopted Guidelines on Issues of Corporate Governance. These Guidelines, which include copies of the current charters for the Audit, Compensation, and Corporate Governance Committees, and the other committees of the Board of Directors, are available on our corporate website at www.thekrogerco.com. Shareholders may obtain a copy of the Guidelines by making a written request to Kroger's Secretary at our executive offices.

INDEPENDENCE

The Board of Directors has determined that all of the directors, with the exception of Messrs. Dillon and McMullen, have no material relationships with Kroger and therefore are independent for purposes of the New York Stock Exchange listing standards. The Board made its determination based on information furnished by all members regarding their relationships with Kroger. After reviewing the information, the Board determined that all of the non-employee directors were independent because (i) they all satisfied the independence standards set forth in Rule 10A-3 of the Securities Exchange Act of 1934, (ii) they all satisfied the criteria for independence set forth in Rule 303A.02 of the New York Stock Exchange Listed Company Manual, and (iii) other than business transactions between Kroger and entities with which the directors are affiliated, the value of which falls below the thresholds identified by the New York Stock Exchange listing standards, none had any material relationships with us except for those arising directly from their performance of services as a director for Kroger.

LEAD DIRECTOR

The Lead Director presides over all executive sessions of the non-management directors, serves as the principal liaison between the non-management directors and management, and consults with the Chairman regarding information to be sent to the Board, meeting agendas, and establishing meeting schedules. Unless otherwise determined by the Board, the chair of the Corporate Governance Committee is designated as the Lead Director.

AUDIT COMMITTEE EXPERTISE

The Board of Directors has determined that Susan M. Phillips and Ronald L. Sargent, independent directors who are members of the Audit Committee, are "audit committee financial experts" as defined by applicable SEC regulations and that all members of the Audit Committee are "financially literate" as that term is used in the NYSE listing standards.

CODE OF ETHICS

The Board of Directors has adopted The Kroger Co. Policy on Business Ethics, applicable to all officers, employees and members of the Board of Directors, including Kroger's principal executive, financial, and accounting officers. ThePolicy is available on our corporate website at www.thekrogerco.com. Shareholders may obtain a copy of the Policy by making a written request to Kroger's Secretary at our executive offices.

COMMUNICATIONS WITH THE BOARD

The Board has established two separate mechanisms for shareholders and interested parties to communicate with the Board. Any shareholder or interested party who has concerns regarding accounting, improper use of Kroger assets, or ethical improprieties may report these concerns via the toll-free hotline (800-689-4609) or email address (helpline@kroger.com) established by the Board's Audit Committee. The concerns are investigated by Kroger's Vice President of Auditing and reported to the Audit Committee as deemed appropriate by the Vice President of Auditing.

Shareholders or interested parties also may communicate with the Board in writing directed to Kroger's Secretary at our executive offices. The Secretary will consider the nature of the communication and determine whether to forward the communication to the chair of the Corporate Governance Committee. Communications relating to personnel issues or our ordinary business operations, or seeking to do business with us, will be forwarded to the business unit of Kroger that the Secretary deems appropriate. All other communications will be forwarded to the chair of the Corporate Governance Committee for further consideration. The chair of the Corporate Governance Committee will take such action as he or she deems appropriate, which may include referral to the Corporate Governance Committee or the entire Board.

ATTENDANCE

The Board of Directors met seven times in 2009. During 2009, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board and committees on which that director served. Members of the Board are expected to use their best efforts to attend all annual meetings of shareholders. All fifteen members of the Board then in office attended last year's annual meeting.

COMPENSATION CONSULTANTS

The Compensation Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Committee in the design of compensation for executive officers. In 2009, Kroger paid that consultant $158,839 for work conducted for the Committee. Kroger, on management's recommendation, retained the parent and affiliated companies of Mercer Human Resource Consulting to perform other services for Kroger in 2009, for which Kroger paid $5,234,161. These other services primarily related to insurance claims (for which Kroger was reimbursed by insurance carriers as claims were adjusted), insurance brokerage and bonding commissions, and pension consulting. Kroger also made payments to affiliated companies for insurance premiums that were collected by the affiliated companies on behalf of insurance carriers, but these amounts are not included in the totals referenced above, as the amounts were paid over to insurance carriers for services provided by those carriers. Although neither the Committee nor the Board expressly approved the other services, the Committee determined that the consultant is independent because (a) he was first engaged by the Committee before he became associated with Mercer; (b) he works exclusively for the Committee and not for our management; (c) he does not benefit from the other work that Mercer's parent and affiliated companies perform for Kroger; and (d) neither the consultant nor the consultant's team perform any other services on behalf of Kroger.

In 2009 the Compensation Committee also directly engaged a second compensation consultant, from Frederick W. Cook & Co., Inc., to review Kroger's executive compensation. The Committee determined that the consultant is independent because neither he nor his company provide any other services for Kroger.

BOARD OVERSIGHT OF ENTERPRISE RISK

While risk management is primarily the responsibility of Kroger's management team, the Board of Directors is responsible for the overall supervision of our risk management activities. The Board's oversight of the material risks faced by Kroger occurs at both the full Board level and at the committee level.

The Board's Audit Committee has oversight responsibility not only for financial reporting of Kroger's major financial exposures and the steps management has taken to monitor and control those exposures, but also for the effectiveness of management's processes that monitor and manage key business risks facing Kroger, as well as the major areas of risk exposure and management's efforts to monitor and control that exposure. The Audit Committee also discusses with management its policies with respect to risk assessment and risk management.

Management provides regular updates throughout the year to the respective committees regarding the management of the risks they oversee, and each of these committees reports on risk to the full Board at each regular meeting of the Board.

In addition to the reports from the committees, the Board receives presentations throughout the year from various department and business unit leaders that include discussion of significant risks as necessary. At each Board meeting, the Chairman and CEO addresses matters of particular importance or concern, including any significant areas of risk that require Board attention. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail Kroger's short- and long-term strategies, including consideration of significant risks facing Kroger and their potential impact. The independent directors, in executive sessions led by the Lead Director, address matters of particular concern, including significant areas of risk, that warrant further discussion or consideration outside the presence of Kroger employees.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for Kroger. We also believe that our risk structure complements our current Board leadership structure, as it allows our independent directors, through the five fully independent Board committees, and in executive sessions of independent directors led by an independent Lead Director, to exercise effective oversight of the actions of management, led by Mr. Dillon as Chairman and CEO, in identifying risks and implementing effective risk management policies and controls.

BOARD LEADERSHIP STRUCTURE

Our Board is composed of twelve independent directors and two management directors, Mr. Dillon, the Chairman of the Board and CEO, and Mr. McMullen, President and Chief Operating Officer. In addition, as provided in our Guidelines on Issues of Corporate Governance, the Board has designated one of the independent directors as Lead Director. The Board has established five standing committees — audit, compensation, corporate governance, financial policy, and public responsibilities. Each of the Board committees is composed solely of independent directors, each with a different independent director serving as committee chair. We believe that the mix of experienced independent and management directors that make up our Board, along with the independent role of our Lead Director and our independent Board committees, benefits Kroger and its shareholders.

The Board believes that it is beneficial to Kroger and its shareholders to designate one of the directors as a Lead Director. The Lead Director serves a variety of roles, including reviewing and approving Board agendas, meeting materials and schedules to confirm the appropriate topics are reviewed and sufficient time is allocated to each; serving as liaison between the Chairman of the Board, management, and the non-management directors; presiding at the executive sessions of independent directors and at all other meetings of the Board of Directors at which the Chairman of the Board is not present; and calling an executive session of independent directors at any time. Bobby Shackouls, an independent director and the chair of the Corporate Governance Committee, is currently our Lead Director. Mr. Shackouls is an effective Lead Director for Kroger due to, among other things, his independence, his deep strategic and operational understanding of Kroger obtained while serving as a Kroger director, his corporate governance knowledge acquired during his tenure as a member of our Corporate Governance Committee, his previous experience on other boards, and his prior experience as a CEO of a Fortune 500 company.

With respect to the roles of Chairman and CEO, the Guidelines provide that the Board believes that it is in the best interests of Kroger and its shareholders for one person to serve as Chairman and CEO. The Board recognizes that there may be circumstances in which it is in the best interests of Kroger and its shareholders for the roles to be separated, and the Board exercises its discretion as it deems appropriate in light of prevailing circumstances. The Board believes that the combination or separation of these positions should continue to be considered as part of the succession planning process, as was the case in 2003 when the roles were separated. Since 2004, the roles have been combined.

Our Board and each of its committees conduct an annual evaluation to determine whether they are functioning effectively. As part of this annual self-evaluation, the Board assesses whether the current leadership structure continues to be appropriate for Kroger and its shareholders. Our Guidelines provide the flexibility for our Board to modify our leadership structure in the future as appropriate. We believe that Kroger, like many U.S. companies, has been well-served by this flexible leadership structure.

Compensation Discussion and Analysis

Executive Compensation – General Principles

The Compensation Committee of the Board has the primary responsibility for establishing the compensation of Kroger's executive officers, including the named executive officers who are identified in the Summary Compensation Table below, with the exception of the Chief Executive Officer. The Committee's role regarding the CEO's compensation is to make recommendations to the independent members of the Board; those independent Board members establish the CEO's compensation.

The Committee's philosophy on compensation generally applies to all levels of Kroger management. It requires Kroger to:

- Make total compensation competitive;
- Include opportunities for equity ownership as part of compensation; and
- Use incentive compensation to help drive performance by providing superior pay for superior results.

The following discussion and analysis addresses the compensation of the named executive officers, and the factors considered by the Committee in setting compensation for the named executive officers and making recommendations to the independent Board members in the case of the CEO's compensation. Additional detail is provided in the compensation tables and the accompanying narrative disclosures that follow this discussion and analysis.

Executive Compensation – Objectives

The Committee has several related objectives regarding compensation. First, the Committee believes that compensation must be designed to attract and retain those best suited to fulfill the challenging roles that executive officers play at Kroger. Second, some elements of compensation should help align the interests of the officers with your interests as shareholders. Third, compensation should create strong incentives for the officers (a) to achieve the annual business plan targets established by the Board, and (b) to achieve Kroger's long-term strategic objectives. In developing compensation programs and amounts to meet these objectives, the Committee exercises judgment to ensure that executive officer compensation does not exceed reasonable and competitive levels in light of Kroger's performance and the needs of the business.

To meet these objectives, the Committee has taken a number of steps over the last several years, including the following:

- Consulted regularly with its independent advisor from Mercer Human Resource Consulting on the design of compensation plans and on the amount of compensation that is necessary and appropriate for Kroger's senior leaders in light of the Committee's objectives. In 2009, the Committee retained another independent consultant to determine whether the compensation plans and amounts comport with the Committee's objectives and produce value for Kroger's shareholders.
- Conducted an annual review of all components of compensation, quantifying total compensation for the named executive officers on tally sheets. The review includes an assessment for each named executive officer, including the CEO, of salary; performance-based cash compensation, or bonus (both annual and long-term); equity; accumulated realized and unrealized stock option gains and

restricted stock values; the value of any perquisites; retirement benefits; severance benefits available under The Kroger Co. Employee Protection Plan; and earnings and payouts available under Kroger's nonqualified deferred compensation program.

- Considered internal pay equity at Kroger. The Committee is aware of reported concerns at other companies regarding disproportionate compensation awards to chief executive officers. The Committee has assured itself that the compensation of Kroger's CEO and that of the other named executive officers bears a reasonable relationship to the compensation levels of other executive positions at Kroger taking into consideration performance and differences in responsibilities.

- Recommended share ownership guidelines, adopted by the Board of Directors. These guidelines require directors, officers and some other key executives to acquire and hold a minimum dollar value of Kroger stock. The guidelines require the CEO to acquire and maintain ownership of Kroger shares equal to 5 times his base salary; the Vice Chairman (which position was eliminated during the latter part of 2009) and the Chief Operating Officer at 4 times their base salaries; Executive Vice Presidents, Senior Vice Presidents, and non-employee directors at 3 times their base salaries or annual base cash retainers; and other officers and key executives at 2 times their base salaries.

ESTABLISHING EXECUTIVE COMPENSATION

The independent members of the Board have the exclusive authority to determine the amount of the CEO's salary; the bonus potential for the CEO; the nature and amount of any equity awards made to the CEO; and any other compensation questions related to the CEO. In setting the annual bonus potential for the CEO, the independent directors determine the dollar amount that will be multiplied by the percentage payout under the annual bonus plan applicable to all corporate management, including the named executive officers. The independent directors retain discretion to reduce the percentage payout the CEO would otherwise receive. The independent directors thus make a separate determination annually concerning both the CEO's bonus potential and the percentage of bonus paid.

The Committee performs the same function and exercises the same authority as to the other named executive officers. The Committee's annual review of compensation for the named executive officers includes the following:

- A detailed report, by officer, that describes current compensation, the value of equity compensation previously awarded, the value of retirement benefits earned, and any severance or other benefits payable upon a change of control.

- An internal equity comparison of compensation at various senior levels. This current and historical analysis is undertaken to ensure that the relationship of CEO compensation to other senior officer compensation, and senior officer compensation to other levels in the organization, is equitable.

- Reports from the Committee's compensation consultants (described below) comparing named executive officer and other senior executive compensation with that of other companies, primarily our competitors, to ensure that the Committee's objectives of competitiveness are met.

- A recommendation from the CEO (except in the case of his own compensation) for salary, bonus potential, and equity awards for each of the senior officers including the other named executive officers. The CEO's recommendation takes into consideration the objectives established by and the reports received by the Committee as well as his assessment of individual job performance and contribution to our management team.

- Historical information regarding salary, bonus, and equity compensation for a 3-year period.

In considering each of the factors above, the Committee does not make use of a formula, but rather subjectively reviews each in making its compensation determination.

THE COMMITTEE'S COMPENSATION CONSULTANTSAND BENCHMARKING

As referenced earlier in this proxy statement, the Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Committee in the design of compensation for executive officers. The Mercer consultant conducts an annual competitive assessment of executive positions at Kroger for the Committee. The assessment is one of several bases, as described above, on which the Committee determines compensation. The consultant assesses base salary; target annual performance-based bonus; target cash compensation (the sum of salary and bonus); annualized long-term incentive awards, such as stock options, other equity awards, and performance-based long-term bonuses; and total direct compensation (the sum of all these elements). The consultant compares these elements against those of other companies in a group of publicly-traded food and drug retailers. For 2009, the group consisted of:

Costco Wholesale	Supervalu
CVS	Target
Great Atlantic & Pacific Tea	Walgreens
Rite Aid	Wal-Mart
Safeway	

This peer group is the same group as was used in 2008.

The make-up of the compensation peer group is reviewed annually and modified as circumstances warrant. Industry consolidation and other competitive forces will change the peer group used over time. The consultant also provides the Committee data from companies in "general industry," a representation of major publicly-traded companies. These data are reference points, particularly for senior staff positions where competition for talent extends beyond the retail sector.

In 2009, the Committee directly engaged an additional compensation consultant to conduct a review of Kroger's executive compensation. This consultant, from Frederic W. Cook & Co., Inc., examined the compensation philosophy, peer group composition, annual cash bonus, and long-term incentive compensation including equity awards. The consultant concluded that Kroger's executive compensation program met the Committee's objectives, and that it provides a strong linkage between pay and performance.

Kroger is the second-largest company as measured by annual revenues when compared with the peer group referenced above and is the largest traditional food and drug retailer. The Committee has therefore sought to ensure that salaries paid to our executive officers are at or above the median paid by competitors for comparable positions and to provide annual bonus potentials to our executive officers that, if annual business plan objectives are achieved, would cause their total cash compensation to be meaningfully above the median.

COMPONENTS OF EXECUTIVE COMPENSATION AT KROGER

Compensation for our named executive officers is comprised of the following:

- Salary;
- Performance-Based Annual Cash Bonus (annual, non-equity incentive pay);
- Performance-Based Long-Term Cash Bonus (long-term, non-equity incentive pay);

- Equity;
- Retirement and other benefits; and
- Perquisites.

SALARY

We provide our named executive officers and other employees a fixed amount of cash compensation – salary – for their work. Salaries for named executive officers (with the exception of the CEO) are established each year by the Committee. The CEO's salary is established by the independent directors. Salaries for the named executive officers were reviewed in June.

The amount of each executive's salary is influenced by numerous factors including:

- An assessment of individual contribution in the judgment of the CEO and the Committee (or, in the case of the CEO, of the Committee and the independent directors);
- Benchmarking with comparable positions at peer group companies;
- Tenure; and
- Relationship with the salaries of other executives at Kroger.

The assessment of individual contribution is based on a subjective determination, without the use of performance targets, in the following areas:

- Leadership;
- Contribution to the officer group;
- Achievement of established objectives, to the extent applicable;
- Decision-making abilities;
- Performance of the areas or groups directly reporting to the officer;
- Increased responsibilities;
- Strategic thinking; and
- Furtherance of Kroger's core values.

The named executive officers received salary increases, to the amounts shown below, following the annual review of their compensation in June.

	Salaries		
	2007	2008	2009
David B. Dillon	$ 1,185,000	$ 1,220,000	$ 1,260,000
J. Michael Schlotman	$ 525,000	$ 545,000	$ 567,000
W. Rodney McMullen	$ 833,000	$ 860,000	$ 890,000
Don W. McGeorge	$ 833,000	$ 860,000	$ 890,000
Donald E. Becker	$ 600,000	$ 620,000	$ 645,000
Paul W. Heldman	$ 665,000	$ 685,000	$ 710,000

PERFORMANCE-BASED ANNUAL CASH BONUS

A large percentage of our employees at all levels, including the named executive officers, are eligible to receive a performance-based annual cash bonus based on Kroger or unit performance. The Committee establishes bonus potentials for each executive officer, other than the CEO whose bonus potential is established by the independent directors. Actual payouts, which can exceed 100% of the potential amounts, represent the extent to which performance meets or exceeds the thresholds established by the Committee.

The Committee considers several factors in making its determination or recommendation as to bonus potentials. First, the individual's level within the organization is a factor in that the Committee believes that more senior executives should have a substantial part of their compensation dependent upon Kroger's performance. Second, the individual's salary is a factor so that a substantial portion of a named executive officer's total cash compensation is dependent upon Kroger's performance. Finally, the Committee considers the reports of its compensation consultants to assess the bonus potentials of the named executive officers in light of total compensation paid to comparable executive positions in the industry.

The annual cash bonus potential in effect at the end of the year for each named executive officer is shown below. Actual bonus payouts are prorated to reflect changes, if any, to bonus potentials during the year.

	Annual Bonus Potential		
	2007	2008	2009
David B. Dillon	$ 1,500,000	$ 1,500,000	$ 1,500,000
J. Michael Schlotman	$ 500,000	$ 500,000	$ 500,000
W. Rodney McMullen	$ 1,000,000	$ 1,000,000	$ 1,000,000
Don W. McGeorge	$ 1,000,000	$ 1,000,000	$ 1,000,000
Donald E. Becker	$ 550,000	$ 550,000	$ 550,000
Paul W. Heldman	$ 550,000	$ 550,000	$ 550,000

The amount of bonus that the named executive officers earn each year is determined by Kroger's performance compared to targets established by the Committee based on the business plan adopted by the Board of Directors. In 2009, thirty percent of bonus was earned based on an identical sales target for Kroger's supermarkets and other business operations; thirty percent was based on a target for EBITDA, excluding supermarket fuel; thirty percent was based on implementation and results of a set of measures under our strategic plan; and ten percent was based on the performance of new capital projects compared to their budgets. An additional 5% would be earned if Kroger achieved three goals with respect to its supermarket fuel operations; achievement of at least 80% of the targeted fuel EBITDA as set forth in the business plan, increase of at least 3% in gallons sold at identical fuel centers, and achievement of the planned number of fuel centers placed in service. Likewise, a 5% reduction in bonus would result if any of the three fuel goals was not achieved.

Over time the Committee has placed an increased emphasis on the strategic plan by making the target more difficult to achieve. The bonus plan allows for minimal bonus to be earned at relatively low levels to provide incentive for achieving even higher levels of performance.

Following the close of the year, the Committee reviewed Kroger's performance against the identical sales, EBITDA, strategic plan, and capital projects objectives and determined the extent to which Kroger achieved those objectives. Kroger's EBITDA, excluding impairment charges, for 2009 was $3.655 billion, and Kroger's identical sales for 2009 were 2.3%. In 2009, Kroger's supermarket fuel EBITDA was $89.192 million, or 81.1% of the goal established at the beginning of the year. Kroger's sale of fuel in identical supermarket fuel centers was 591.6 million gallons, or 5.3% over the prior year. We placed 117 supermarket fuel centers in operation during 2009, exceeding our goal of 111 centers. As a result, the officers earned the additional 5% fuel bonus. As a result of the Company's performance when compared to the targets established by the Committee, and based on the business plan adopted by the Board of Directors, the named executive officers earned 38.450% of their bonus potentials, which percentage payout is substantially lower than the bonus payouts over the last several years, principally reflecting the degree to which Kroger failed to achieve its EBITDA and sales goals.

The 2009 targets established by the Committee for annual bonus amounts based on identical sales and EBITDA results, the actual 2009 results, and the bonus percentage earned in each of the components of named executive officer bonus, were as follows:

	Targets			
Component	Minimum	100%	Result	Amount Earned
Identical Sales	2.0%	4.0%/5.0%*	2.3%	2.001%
EBITDA	$4.005 Billion	$4.152 Billion	$3.655 Billion	0%
Strategic Plan**				21.951%
Capital Projects**				9.498%
Fuel Bonus	[as described in the text above]			5.000%
				38.450%

* Identical sales of 4% pay at 100% if EBITDA goal is achieved. If EBITDA goal is not achieved, identical sales of 5% pay at 100%.

** The Strategic Plan and Capital Projects components also were established by the Committee but are not disclosed as they are competitively sensitive.

In 2009, as in all years, the Committee retained discretion to reduce the bonus payout for named executive officers if the Committee determined for any reason that the bonus payouts were not appropriate. The independent directors retained that discretion for the CEO's bonus. Those bodies also retained discretion to adjust the targets under the plan should unanticipated developments arise during the year. No adjustments were made to the payout or the targets during 2009.

The percentage paid for 2009 represented and resulted from performance that, due to a weak economy and persistent deflation, did not meet our original business plan objectives. A comparison of bonus percentages for the named executive officers in prior years demonstrates the variability of incentive compensation:

Fiscal Year	Annual Cash Bonus Percentage
2009	38.450%
2008	104.948%
2007	128.104%
2006	141.118%
2005	132.094%
2004	55.174%
2003	24.100%
2002	9.900%
2001	31.760%
2000	80.360%

The actual amounts of annual performance-based cash bonuses paid to the named executive officers for 2009 are shown in the Summary Compensation Table under the heading “Non-Equity Incentive Plan Compensation.” These amounts represent the bonus potentials for each named executive officer multiplied by the percentage earned in 2009. In no event can any participant receive a performance-based annual cash bonus in excess of $5,000,000. Beginning with the 2009 annual cash bonus, the maximum amount that a participant, including each named executive officer, can earn is further limited to 200% of the participant’s potential amount.

After considering recommendations made by its compensation consultants, the Committee determined to reduce the number of metrics considered for purposes of calculating annual bonuses. Beginning with the annual bonus for 2010, thirty percent of bonus will be based on an identical sales target for Kroger’s supermarkets and other business operations; thirty percent will be based on a target for EBITDA, excluding supermarket fuel; and forty percent will be based on implementation and results of a set of measures under our strategic plan. An additional 5% will be earned if Kroger achieves three goals with respect to its supermarket fuel operations, subject to adjustment by the Committee based on the effects of certain fuel programs; achievement of at least 80% of the targeted fuel EBITDA as set forth in the business plan, increase of at least 3% in gallons sold at identical fuel centers, and achievement of the planned number of fuel centers placed in service.

PERFORMANCE-BASED LONG-TERM CASH BONUS

After reviewing executive compensation with its consultant in 2005, the Committee determined that the long-term component, which was made up of equity awards, of Kroger’s executive compensation was not competitive. The Committee developed a plan to provide an incentive to the named executive officers to achieve the long-term goals established by the Board of Directors by conditioning a portion of compensation on the achievement of those goals. Beginning in 2006, approximately 140 Kroger executives, including the named executive officers, are eligible to participate in a performance-based cash bonus plan designed to reward participants for improving the long-term performance of Kroger. Bonuses are earned based on the extent to which Kroger advances its strategic plan by:

- improving its performance in four key categories, based on results of customer surveys; and
- reducing total operating costs as a percentage of sales, excluding fuel.

The 2006 plan consisted of two components. The phase-in component measured improvements through fiscal year 2007. The other component measured the improvements through fiscal year 2009. Actual payouts were based on the degree to which improvements were achieved, and were awarded in increments based on the participant’s salary at the end of fiscal year 2005. Participants received a 1% payout for each point by which the performance in the key categories increased, and a 0.25% payout for each percentage reduction in operating costs. The Committee administers the plan and determined the bonus payout amounts based on achievement of the performance criteria. Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2006 plan were 28.78%, and at the end of the phase-in period were 27.89%. Combining this operating cost improvement with our performance in our key categories resulted in payouts for the phase-in component of 36.25% of the participant’s annual salary in effect at the end of fiscal year 2005. Total operating costs as a percentage of sales, excluding fuel, at the end of fiscal year 2009 were 27.38%. Combining this operating cost improvement with our performance in our key categories resulted in payouts for the full four-year performance period of 59.75% of the participant’s annual salary in effect at the end of fiscal year 2005.

After reviewing an analysis conducted by its independent compensation consultant in 2007, the Committee determined that continuation of the long-term cash bonus was necessary in order for long-term compensation for the named executive officers to be competitive and to continue to focus the officers on achieving Kroger's long-term business objectives. As a result, the Committee adopted a 2008 long-term bonus plan under which bonuses are earned based on the extent to which Kroger advances its strategic plan by:

- improving its performance in four key categories, based on results of customer surveys;
- reducing total operating costs as a percentage of sales, excluding fuel; and
- improving its performance in eleven key attributes designed to measure associate satisfaction and one key attribute designed to measure how Kroger's focus on its values supports how associates dobusiness, based on the results of associate surveys.

The 2008 plan measures improvements through fiscal year 2011. Participants receive a 1% payout for each point by which the performance in the key categories increases, a 0.25% payout for each percentage reduction in operating costs, and a 1% payout based on improvement in associate engagement measures. Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2008 plan were 27.89%. Actual payouts are based on the degree to which improvements are achieved, and will be awarded based on the participant's salary at the end of fiscal year 2007. In no event can any participant receive a performance-based long-term cash bonus in excess of $5,000,000.

Although the Committee is considering adoption of a new 2010 long-term bonus plan, that plan has not yet been adopted.

EQUITY

Awards based on Kroger's common stock are granted periodically to the named executive officers and a large number of other employees. Equity participation aligns the interests of employees with your interests as shareholders, and Kroger historically has distributed equity awards widely. In 2009, Kroger granted 3,598,620 stock options to approximately 7,100 employees, including the named executive officers, under one of Kroger's long-term incentive plans. The options permit the holder to purchase Kroger common stock at an option price equal to the closing price of Kroger common stock on the date of the grant. The Committee adopted a policy of granting options only at one of the four Committee meetings conducted shortly following Kroger's public release of its quarterly earnings results.

Kroger's long-term incentive plans also provide for other equity-based awards, including restricted stock. During 2009 Kroger awarded 2,575,994 shares of restricted stock to approximately 11,130 employees, including the named executive officers. This amount is comparable to amounts awarded over the past few years as we began reducing the number of stock options granted and increasing the number of shares of restricted stock awards. The change in Kroger's broad-based equity program from predominantly stock options to a mixture of options and restricted shares was precipitated by (a) the perception of increased value that restricted shares offer, (b) the retention benefit to Kroger of restricted shares, and (c) accounting conventions that now require stock options to be expensed, making the change cost-neutral to Kroger.

The Committee considers several factors in determining the amount of options and restricted shares awarded to the named executive officers or, in the case of the CEO, recommending to the independent directors the amount awarded. These factors include:

- The compensation consultant's benchmarking report regarding equity-based and other long-termcompensation awarded by our competitors;

- The officer's level in the organization and the internal relationship of equity-based awards withinKroger;
- Individual performance; and
- The recommendation of the CEO, for all named executive officers other than in the case of the CEO.

The Committee has long recognized that the amount of compensation provided to the named executive officers through equity-based pay is often below the amount paid by our competitors. Lower equity-based awards for the named executive officers and other senior management permit a broader base of Kroger associates to participate in equity awards.

Amounts of equity awards issued and outstanding for the named executive officers are set forth in the tables that follow this discussion and analysis.

RETIREMENT AND OTHER BENEFITS

Kroger maintains a defined benefit and several defined contribution retirement plans for its employees. The named executive officers participate in one or more of these plans, as well as one or more excess plans designed to make up the shortfall in retirement benefits created by limitations under the Internal Revenue Code on benefits to highly compensated individuals under qualified plans. Additional details regarding retirement benefits available to the named executive officers can be found in the 2009 Pension Benefits table and the accompanying narrative description that follows this discussion and analysis.

Kroger also maintains an executive deferred compensation plan in which some of the named executive officers participate. This plan is a nonqualified plan under which participants can elect to defer up to 100% of their cash compensation each year. Compensation deferred bears interest, until paid out, at the rate representing Kroger's cost of ten-year debt in the year of deferral as determined by Kroger's CEO prior to the beginning of each deferral year. In 2009, that rate was 6.15%. Deferred amounts are paid out only in cash, in accordance with a deferral option selected by the participant at the time the deferral election is made.

We adopted The Kroger Co. Employee Protection Plan, or KEPP, during fiscal year 1988. That plan was amended and restated in 2007. All of our management employees and administrative support personnel whose employment is not covered by a collective bargaining agreement, with at least one year of service, are covered. KEPP provides for severance benefits and extended Kroger-paid health care, as well as the continuation of other benefits as described in the plan, when an employee is actually or constructively terminated without cause within two years following a change in control of Kroger (as defined in the plan). Participants are entitled to severance pay of up to 24 months' salary and bonus. The actual amount is dependent upon pay level and years of service. KEPP can be amended or terminated by the Board at any time prior to a change in control.

Stock option and restricted stock agreements with participants in Kroger's long-term incentive plans provide that those awards "vest," with options becoming immediately exercisable and restrictions on restricted stock lapsing, upon a change in control as described in the agreements.

None of the named executive officers, except Mr. McGeorge, is party to an employment agreement. Under that agreement, Mr. McGeorge, former President and Chief Operating Officer, and former member of Kroger's Board of Directors, will continue as an active Kroger employee, and will continue to receive his salary and other active employee benefits through October 1, 2011. During that period, Mr. McGeorge will not engage in any business activity in competition with Kroger's retail business. Thereafter, his active employment will cease and he will be eligible to receive retirement benefits.

Perquisites

The Committee does not believe that it is necessary for the attraction or retention of management talent to provide the named executive officers a substantial amount of compensation in the form of perquisites. In 2009, the only perquisites provided were:

- payments of premiums of life insurance, accidental death and dismemberment insurance, and long-term disability insurance policies, and reimbursement of the tax effects of the life insurance and accidental death and dismemberment insurance payments; and
- reimbursement for the tax effects of participation in a nonqualified retirement plan.

The life insurance benefit, along with reimbursement of the tax effect of that benefit, was offered beginning several years ago to replace a split-dollar life insurance benefit that was substantially more costly to Kroger. Currently, 157 active executives, including the named executive officers, and 65 retired executives, receive this benefit. Beginning in 2010, Kroger no longer will reimburse the tax effects of insurance premiums or participation in a nonqualified retirement plan, as these “gross-ups” have been eliminated.

In addition, the named executive officers are entitled to the following benefit that does not constitute a perk as defined by the SEC rules:

- personal use of Kroger aircraft, which officers may lease from Kroger, and pay the average variable cost of operating the aircraft, making officers more available and allowing for a more efficient use of their time.

The total amount of perquisites furnished to the named executive officers is shown in the Summary Compensation Table and described in more detail in footnote 6 to that table.

Executive Compensation Recoupment Policy

If a material error of facts results in the payment to an executive officer at the level of Group Vice President or higher of an annual bonus or a long-term bonus in an amount higher than otherwise would have been paid, as determined by the Committee, then the officer, upon demand from the Committee, will reimburse Kroger for the amounts that would not have been paid if the error had not occurred. This recoupment policy applies to those amounts paid by Kroger within 36 months prior to the detection and public disclosure of the error. In enforcing the policy, the Committee will take into consideration all factors that it deems appropriate, including:

- The materiality of the amount of payment involved;
- The extent to which other benefits were reduced in other years as a result of the achievement of performance levels based on the error;
- Individual officer culpability, if any; and
- Other factors that should offset the amount of overpayment.

Section 162 (m) of the Internal Revenue Code

Tax laws place a limit of $1,000,000 on the amount of some types of compensation for the CEO and the next four most highly compensated officers that is tax deductible by Kroger. Compensation that is deemed to be “performance-based” is excluded for purposes of the calculation and is tax deductible. Awards under Kroger’s long-term incentive plans, when payable upon achievement of stated performance criteria, should be considered performance-based and the compensation paid under those plans should be tax deductible. Generally, compensation expense related to stock options awarded to the CEO and the next four most highly compensated officers should be deductible. On the other hand, Kroger's awards of restricted stock that vest solely upon the passage of time are not performance-based. As a result, compensation expense for those awards to the CEO and the next four most highly compensated officers is not deductible, to the extent that the related compensation expense, plus any other expense for compensation that is not performance-based, exceeds $1,000,000.

Kroger's bonus plans rely on performance criteria, and have been approved by shareholders. As a result, bonuses paid under the plans to the CEO and the next four most highly compensated officers will be deductible by Kroger. In Kroger's case, this group of individuals is not identical to the group of named executive officers.

Kroger's policy is, primarily, to design and administer compensation plans that support the achievement of long-term strategic objectives and enhance shareholder value. Where it is material and supports Kroger's compensation philosophy, the Committee also will attempt to maximize the amount of compensation expense that is deductible by Kroger.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management of the Company the Compensation Discussion and Analysis contained in this proxy statement. Based on its review and discussions with management, the Compensation Committee has recommended to the Company's Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement and incorporated by reference into its annual report on Form 10-K.

Compensation Committee:

John T. LaMacchia, Chair
Robert D. Beyer
Jorge P. Montoya
Clyde R. Moore
James A. Runde

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table shows the compensation of the Chief Executive Officer, Chief Financial Officer, each of the Company's three most highly compensated executive officers other than the CEO and CFO, and one additional former executive officer (the "named executive officers") during the fiscal years presented:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (3)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
David B. Dillon	2009	$1,239,822	—	$2,569,100	$1,494,000	$1,234,000	$3,630,041	$172,430	$10,339,393
Chairman and CEO	2008	$1,204,758	—	$3,290,150	$2,015,123	$1,574,220	$2,191,743	$170,307	$10,446,301
	2007	$1,173,291	—	$3,109,700	$2,302,901	$2,320,310	$ 922,570	$168,543	$9,997,315
J. Michael Schlotman	2009	$556,280	—	$ 223,400	$ 132,800	$ 461,125	$ 795,146	$ 42,609	$2,211,360
Senior Vice	2008	$537,124	—	$ 286,100	$ 179,122	$ 524,740	$ 292,491	$ 41,135	$1,860,712
President	2007	$518,726	—	$ 282,700	$ 209,355	$ 788,864	$ 202,069	$ 38,690	$2,040,404
and CFO									
W. Rodney McMullen(1)	2009	$875,062	—	$2,345,700	$ 431,600	$ 846,368	$1,301,742	$ 56,639	$5,857,111
President and COO	2008	$848,686	—	$1,001,350	$ 582,147	$1,049,480	$ 348,933	$ 59,900	$3,890,496
	2007	$823,948	—	$ 848,100	$ 628,064	$1,546,472	$ 216,946	$ 57,367	$4,120,897
Don W. McGeorge(2)	2009	$875,062	—	$ 781,900	$ 431,600	$ 846,368	$1,975,403	$104,523	$5,014,856
Former President	2008	$848,686	—	$1,001,350	$ 582,147	$1,049,480	$ 723,203	$107,203	$4,312,069
and COO and	2007	$823,948	—	$ 848,100	$ 628,064	$1,546,472	$ 536,736	$105,803	$4,489,123
Former Special									
Advisor to CEO									
Donald E. Becker	2009	$632,816	—	$ 279,250	$ 166,000	$ 534,125	$1,773,062	$127,387	$3,512,640
Executive Vice	2008	$611,712	—	$1,215,925	$ 233,903	$ 577,214	$ 902,879	$120,668	$3,662,301
President	2007	$592,312	—	$ 353,375	$ 261,693	$ 900,322	$ 657,628	$121,428	$2,886,758
Paul W. Heldman	2009	$697,638	—	$ 279,250	$ 166,000	$ 580,730	$1,275,401	$ 96,421	$3,095,440
Executive Vice									
President, Secretary									
and General Counsel									

(1) Effective August 1, 2009, Mr. McMullen relinquished his position as Vice Chairman and became President and Chief Operating Officer.

(2) Effective August 1, 2009, Mr. McGeorge relinquished his positions as President and Chief Operating Officer and became Special Advisor to the Chief Executive Officer. Effective December 1, 2009, Mr. McGeorge relinquished his responsibilities as Special Advisor to the Chief Executive Officer and was no longer an executive officer.

(3) These amounts represent the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718.

(4) Non-equity incentive plan compensation for 2009 consists of payments under an annual cash bonus and a long-term cash bonus program. In accordance with the terms of the 2009 performance-based annual cash bonus program, Kroger paid 38.45% of bonus potentials for the executive officers including the named executive officers, as follows: Mr. Dillon: $576,750; Mr. Schlotman: $192,250; Mr. McMullen:

$384,500; Mr. McGeorge: $384,500; Mr. Becker: $211,475; and Mr. Heldman: $211,475. These amounts were earned with respect to performance in 2009, and paid in March 2010. The 2006 Long-Term Bonus Plan is a performance-based cash bonus plan designed to reward participants for improving the long-term performance of the Company. The first component of the plan covered performance during fiscal years 2006 and 2007, and the second component of the plan covered performance during fiscal years 2006, 2007, 2008, and 2009. The following amounts, representing payouts at 59.75% of bonus potentials, were earned under the second component of the plan and were paid in March 2010: Mr. Dillon: $657,250; Mr. Schlotman: $268,875; Mr. McMullen: $461,868; Mr. McGeorge: $461,868; Mr. Becker: $322,650; and Mr. Heldman: $369,255.

(5) Amounts are attributable to change in pension value and preferential earnings on nonqualified deferred compensation. Earnings on nonqualified deferred compensation are deemed to be preferential to the extent that they exceed 120% of the applicable federal long-term rate that corresponds most closely to the rate, when set, under the plan. Amounts deferred in 2009 bear interest at the average cost of Kroger's ten-year debt, or 6.15%. One hundred twenty percent of the applicable federal rate is 5.26%. The rate of preferential earnings for amounts deferred in 2009 is 0.89%. During 2009, pension values increased primarily due to: (i) a one percent decrease in the discount rate as determined by the plan actuary; (ii) increases in final average earnings used in determining pension benefits; (iii) an additional year of credited service; and (iv) an increase in present value due to participant aging. Since the benefits are based on final average earnings and service, the effect of the final average earnings increase is larger for those with longer service. Please refer to the 2009 Pension Benefits table for further information regarding credited service. The amount listed for Mr. Dillon includes preferential earnings on nonqualified deferred compensation in the amount of $557 and change in pension value in the amount of $3,629,484. The amount listed for Mr. McMullen includes preferential earnings on nonqualified deferred compensation in the amount of $4,891 and change in pension value in the amount of $1,296,851. The amount listed for Mr. Heldman includes preferential earnings on nonqualified deferred compensation in the amount of $1,347 and change in pension value in the amount of $1,274,054. The amounts for the remaining named executive officers represent only change in pension value.

(6) The following table provides the items and amounts included in All Other Compensation for 2009:

	Life Insurance Premium	Tax Effect of Life Insurance Premium	Accidental Death and Dismemberment Insurance Premium	Tax Effect of Accidental Death and Dismemberment Premium	Long-Term Disability Insurance Premium	Tax Effect of Participation in Nonqualified Retirement Plan
Mr. Dillon	$99,247	$59,675	$228	$108	—	$13,172
Mr. Schlotman	$23,455	$13,546	$228	$115	—	$ 5,265
Mr. McMullen	$28,367	$16,539	$228	$104	$2,778	$ 8,623
Mr. McGeorge	$55,989	$32,770	$228	$117	—	$15,419
Mr. Becker	$64,715	$38,788	$228	$108	$2,942	$20,606
Mr. Heldman	$52,913	$31,816	$228	$108	—	$11,356

The life insurance and payment of the tax effect of the premium payment by Kroger have been offered over the past several years to a large number of executives, including the named executive officers, in substitution for split-dollar life insurance coverage that was substantially more costly to Kroger. Excluded from the amounts shown in the table is income imputed to the named executive officer when accompanied on our aircraft during business travel by non-business travelers. These amounts for Mr. Dillon, Mr. Schlotman, and Mr. Heldman, calculated using the applicable terminal charge and Standard Industry Fare Level (SIFL) mileage rates, were $8,233, $1,443, and $818, respectively. The other named executive officers had no such imputed income for 2009. Separately, we require that officers who make personal use of our aircraft reimburse us for the average variable cost associated with the operation of the aircraft on such flights in accordance with a time-sharing arrangement consistent with FAA regulations. Beginning in 2010, Kroger no longer will compensate for the tax effects of the insurance premiums or the nonqualified retirement plan.

GRANTS OF PLAN-BASED AWARDS

The following table provides information about equity and non-equity awards granted to the named executive officers in 2009:

2009 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target ($) (1)	Maximum ($) (2)	Estimated Future Payouts Under Equity Incentive Plan Awards Target (#)	Exercise or Base Price of Option Awards ($/Sh) (5)	Grant Date Fair Value of Stock and Option Awards
David B. Dillon		$1,500,000	$3,000,000			
	6/25/2009			115,000(3)		$2,569,100
	6/25/2009			225,000(4)	$22.34	$1,494,000
J. Michael Schlotman		$ 500,000	$1,000,000			
	6/25/2009			10,000(3)		$ 223,400
	6/25/2009			20,000(4)	$22.34	$ 132,800
W. Rodney McMullen		$1,000,000	$2,000,000			
	6/25/2009			105,000(3)		$2,345,700
	6/25/2009			65,000(4)	$22.34	$ 431,600
Don W. McGeorge		$1,000,000	$2,000,000			
	6/25/2009			35,000(3)		$ 781,900
	6/25/2009			65,000(4)	$22.34	$ 431,600
Donald E. Becker		$ 550,000	$1,100,000			
	6/25/2009			12,500(3)		$ 279,250
	6/25/2009			25,000(4)	$22.34	$ 166,000
Paul W. Heldman		$ 550,000	$1,100,000			
	6/25/2009			12,500(3)		$ 279,250
	6/25/2009			25,000(4)	$22.34	$ 166,000

(1) These amounts represent the bonus potential of the named executive officer under the Company's 2009 performance-based annual cash bonus program.
(2) By the terms of this plan, no single cash bonus to a participant may exceed $5,000,000, and payouts are further limited to no more than 200% of a participant's potential. The amount actually earned under this plan is shown in the Summary Compensation Table.
(3) This amount represents the number of restricted shares awarded under one of the Company's long-term incentive plans.
(4) This amount represents the number of stock options granted under one of the Company's long-term incentive plans.
(5) Options are granted at fair market value of Kroger common stock on the date of the grant. Fair market value is defined as the closing price of Kroger stock on the date of the grant.

The Compensation Committee of the Board of Directors, and the independent members of the Board in the case of the CEO, established bonus potentials, shown in this table as "target" amounts, for the performance-based annual cash bonus award for the named executive officers. Amounts were payable to the extent that performance met specific objectives established at the beginning of the performance period. As described in the Compensation Discussion and Analysis, actual earnings can exceed the target amounts if performance exceeds the thresholds.

Restrictions on restricted stock awards made to the named executive officers lapse, as long as the officer is then in our employ, in equal amounts on each of the five anniversaries of the date the award is made, except that: restrictions on 30,000 shares awarded to Mr. Becker in 2008 lapse in 2011; 70,000 shares awarded to Mr. McMullen in 2009 vest as follows: 15,000 shares on 6/25/2012, 20,000 shares on 6/25/2013, and 35,000 shares on 6/25/2014; 11,000 shares awarded to Mr. Heldman in 2006 vest as follows: 3,000 shares on 5/4/2010 and 8,000 shares on 5/4/2011; and 30,000 shares awarded to Mr. Heldman in 2008 vest as follows: 6,000 shares on 6/26/2011, 12,000 shares on 6/26/2012, and 12,000 shares on 6/26/2013. Any dividends declared on Kroger common stock are payable on restricted stock. Nonqualified stock options granted to the named executive officers vest in equal amounts on each of the five anniversaries of the date of grant. Those options were granted at the fair market value of Kroger common stock on the date of the grant. Options are granted only on one of the four dates of regularly scheduled Compensation Committee meetings conducted shortly following Kroger's public release of its quarterly earnings results.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table discloses outstanding equity-based incentive compensation awards for the named executive officers as of the end of fiscal year 2009. Each outstanding award is shown separately. Option awards include performance-based nonqualified stock options. The vesting schedule for each award is described in the footnotes to this table.

OUTSTANDING EQUITY AWARDS AT 2009 FISCAL YEAR-END

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
David B. Dillon	35,000			$24.43	5/10/2011	48,000(8)	$1,028,640
			35,000(6)	$24.43	5/10/2011	66,000(9)	$1,414,380
	70,000			$23.00	5/9/2012	92,000(10)	$1,971,560
			35,000(7)	$23.00	5/9/2012	115,000(11)	$2,464,450
	210,000			$14.93	12/12/2012		
	300,000			$17.31	5/6/2014		
	240,000	60,000(1)		$16.39	5/5/2015		
	144,000	96,000(2)		$19.94	5/4/2016		
	88,000	132,000(3)		$28.27	6/28/2017		
	45,000	180,000(4)		$28.61	6/26/2018		
		225,000(5)		$22.34	6/25/2019		

OUTSTANDING EQUITY AWARDS AT 2009 FISCAL YEAR-END

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
J. Michael Schlotman	10,000			$ 24.43	5/10/2011	4,000(8)	$ 85,720
			10,000(6)	$ 24.43	5/10/2011	6,000(9)	$ 128,580
	20,000			$ 23.00	5/9/2012	8,000(10)	$ 171,440
			10,000(7)	$ 23.00	5/9/2012	10,000(11)	$ 214,300
	60,000			$ 14.93	12/12/2012		
	40,000			$ 17.31	5/6/2014		
	32,000	8,000(1)		$ 16.39	5/5/2015		
	12,000	8,000(2)		$ 19.94	5/4/2016		
	8,000	12,000(3)		$ 28.27	6/28/2017		
	4,000	16,000(4)		$ 28.61	6/26/2018		
		20,000(5)		$ 22.34	6/25/2019		
W. Rodney McMullen	125,000			$ 16.59	2/11/2010	12,000(8)	$ 257,160
	25,000			$ 24.43	5/10/2011	18,000(9)	$ 385,740
			25,000(6)	$ 24.43	5/10/2011	28,000(10)	$ 600,040
	50,000			$ 23.00	5/9/2012	35,000(11)	$ 750,050
			25,000(7)	$ 23.00	5/9/2012	70,000(13)	$ 1,500,100
	150,000			$ 14.93	12/12/2012		
	75,000			$ 17.31	5/6/2014		
	60,000	15,000(1)		$ 16.39	5/5/2015		
	36,000	24,000(2)		$ 19.94	5/4/2016		
	24,000	36,000(3)		$ 28.27	6/28/2017		
	13,000	52,000(4)		$ 28.61	6/26/2018		
		65,000(5)		$ 22.34	6/25/2019		
Don W. McGeorge	25,000			$ 24.43	5/10/2011	12,000(8)	$ 257,160
			25,000(6)	$ 24.43	5/10/2011	18,000(9)	$ 385,740
	50,000			$ 23.00	5/9/2012	28,000(10)	$ 600,040
			25,000(7)	$ 23.00	5/9/2012	35,000(11)	$ 750,050
	150,000			$ 14.93	12/12/2012		
	75,000			$ 17.31	5/6/2014		
	60,000	15,000(1)		$ 16.39	5/5/2015		
	36,000	24,000(2)		$ 19.94	5/4/2016		
	24,000	36,000(3)		$ 28.27	6/28/2017		
	13,000	52,000(4)		$ 28.61	6/26/2018		
		65,000(5)		$ 22.34	6/25/2019		

OUTSTANDING EQUITY AWARDS AT 2009 FISCAL YEAR-END

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Donald E. Becker	12,500			$ 24.43	5/10/2011	5,000(8)	$ 107,150
			12,500(6)	$ 24.43	5/10/2011	7,500(9)	$ 160,725
	26,667			$ 23.00	5/9/2012	10,000(10)	$ 214,300
			13,333(7)	$ 23.00	5/9/2012	12,500(11)	$ 267,875
	80,000			$ 14.93	12/12/2012	30,000(12)	$ 642,900
	40,000			$ 17.31	5/6/2014		
	32,000	8,000(1)		$ 16.39	5/5/2015		
	15,000	10,000(2)		$ 19.94	5/4/2016		
	10,000	15,000(3)		$ 28.27	6/28/2017		
	5,000	20,000(4)		$ 28.61	6/26/2018		
		25,000(5)		$ 22.34	6/25/2019		
Paul W. Heldman	12,500			$ 24.43	5/10/2011	5,000(8)	$ 107,150
			12,500(6)	$ 24.43	5/10/2011	7,500(9)	$ 160,725
	26,667			$ 23.00	5/9/2012	10,000(10)	$ 214,300
			13,333(7)	$ 23.00	5/9/2012	12,500(11)	$ 267,875
	80,000			$ 14.93	12/12/2012	11,000(14)	$ 235,730
	40,000			$ 17.31	5/6/2014	30,000(15)	$ 642,900
	32,000	8,000(1)		$ 16.39	5/5/2015		
	15,000	10,000(2)		$ 19.94	5/4/2016		
	10,000	15,000(3)		$ 28.27	6/28/2017		
	5,000	20,000(4)		$ 28.61	6/26/2018		
		25,000(5)		$ 22.34	6/25/2019		

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(1) Stock options vest on 5/5/2010.

(2) Stock options vest in equal amounts on 5/4/2010 and 5/4/2011.

(3) Stock options vest in equal amounts on 6/28/2010, 6/28/2011, and 6/28/2012.

(4) Stock options vest in equal amounts on 6/26/2010, 6/26/2011, 6/26/2012, and 6/26/2013.

(5) Stock options vest in equal amounts on 6/25/2010, 6/25/2011, 6/25/2012, 6/25/2013, and 6/25/2014.

(6) Performance stock options vest on 11/10/2010 or earlier if performance criteria is satisfied prior to such date.

(7) Performance stock options vest on 11/9/2011 or earlier if performance criteria is satisfied prior to such date.

(8) Restricted stock vests in equal amounts on 5/4/2010 and 5/4/2011.

(9) Restricted stock vests in equal amounts on 6/28/2010, 6/28/2011, and 6/28/2012.

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(10) Restricted stock vests in equal amounts on 6/26/2010, 6/26/2011, 6/26/2012, and 6/26/2013.

(11) Restricted stock vests in equal amounts on 6/25/2010, 6/25/2011, 6/25/2012, 6/25/2013, and 6/25/2014.

(12) Restricted stock vests as follows: 30,000 shares on 6/26/2011.

(13) Restricted stock vests as follows: 15,000 shares on 6/25/2012, 20,000 shares on 6/25/2013, and 35,000 shares on 6/25/2014.

(14) Restricted stock vests as follows: 3,000 shares on 5/4/2010 and 8,000 shares on 5/4/2011.

(15) Restricted stock vests as follows: 6,000 shares on 6/26/2011, 12,000 shares on 6/26/2012, and 12,000 shares on 6/26/2013.

From 1997 through 2002, Kroger granted to the named executive officers performance-based nonqualified stock options. These options, having a term of ten years, vest six months prior to their date of expiration unless earlier vesting because Kroger's stock price achieved the specified annual rate of appreciation set forth in the stock option agreement. That rate ranged from 13% to 16%. To date, only the performance-based options granted in 1997, 1998, 1999, and 2000 have vested, and those granted in 1997, 1998, and 1999 expired if not earlier exercised.

OPTION EXERCISES AND STOCK VESTED

The following table provides the stock options exercised and restricted stock vested during 2009.

2009 OPTION EXERCISES AND STOCK VESTED

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
David B. Dillon	210,000	$ 842,352	69,000	$ 1,537,740
J. Michael Schlotman	10,000	$ 41,462	6,000	$ 133,740
W. Rodney McMullen	25,000	$ 98,530	19,000	$ 423,600
Don W. McGeorge	150,000	$ 718,380	19,000	$ 423,600
Donald E. Becker	15,000	$ 56,793	7,500	$ 167,175
Paul W. Heldman	120,000	$ 484,944	10,500	$ 233,505

Options granted under our various long-term incentive plans have a ten-year life and expire if not exercised within that ten-year period.

PENSION BENEFITS

The following table provides information on pension benefits as of 2009 year-end for the named executive officers.

2009 PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
David B. Dillon	The Kroger Consolidated Retirement Benefit Plan	14	$ 411,308	$0
	The Kroger Co. Excess Benefit Plan	14	$ 5,255,296	$0
	Dillon Companies, Inc. Excess Benefit Pension Plan	20	$ 6,307,670	$0
J. Michael Schlotman	The Kroger Consolidated Retirement Benefit Plan	24	$ 484,669	$0
	The Kroger Co. Excess Benefit Plan	24	$ 1,882,087	$0
W. Rodney McMullen	The Kroger Consolidated Retirement Benefit Plan	24	$ 425,557	$0
	The Kroger Co. Excess Benefit Plan	24	$ 3,419,640	$0
Don W. McGeorge	The Kroger Consolidated Retirement Benefit Plan	30	$ 717,122	$0
	The Kroger Co. Excess Benefit Plan	30	$ 5,856,870	$0
Donald E. Becker	The Kroger Consolidated Retirement Benefit Plan	35	$ 1,190,343	$0
	The Kroger Co. Excess Benefit Plan	35	$ 5,594,503	$0
Paul W. Heldman	The Kroger Consolidated Retirement Benefit Plan	27	$ 800,055	$0
	The Kroger Co. Excess Benefit Plan	27	$ 4,074,513	$0

The named executive officers all participate in The Kroger Consolidated Retirement Benefit Plan (the "Consolidated Plan"), which is a qualified defined benefit pension plan. The Consolidated Plan generally determines accrued benefits using a cash balance formula, but retains benefit formulas applicable under prior plans for certain "grandfathered participants" who were employed by Kroger on December 31, 2000. Each of the named executive officers is eligible for these grandfathered benefits under the Consolidated Plan. Their benefits, therefore, are determined using formulas applicable under prior plans, including the Kroger formula covering service to The Kroger Co. and the Dillon Companies, Inc. Pension Plan formula covering service to Dillon Companies, Inc.

The named executive officers also are eligible to receive benefits under The Kroger Co. Excess Benefit Plan (the "Kroger Excess Plan"), and Mr. Dillon also is eligible to receive benefits under the Dillon Companies, Inc. Excess Benefit Pension Plan (the "Dillon Excess Plan"). These plans are collectively referred to as the "Excess Plans." The Excess Plans are each considered to be nonqualified deferred compensation plans as defined in Section 409A of the Internal Revenue Code. The purpose of the Excess Plans is to make up the shortfall in retirement benefits caused by the limitations on benefits to highly compensated individuals under qualified plans in accordance with the Internal Revenue Code.

Each of the named executive officers will receive benefits under the Consolidated Plan and the Excess Plans, determined as follows:

- 1½% times years of credited service multiplied by the average of the highest five years of total earnings (base salary and annual bonus) during the last ten calendar years of employment, reduced by 1¼% times years of credited service multiplied by the primary social security benefit;
- normal retirement age is 65;

- unreduced benefits are payable beginning at age 62; and
- benefits payable between ages 55 and 62 will be reduced by 1/3 of one percent for each of the first 24 months and by ½ of one percent for each of the next 60 months by which the commencement of benefits precedes age 62.

Although participants generally receive credited service beginning at age 21, those participants who commenced employment prior to 1986, including all of the named executive officers, began to accrue credited service after attaining age 25. In the event of a termination of employment, Messrs. Becker, Dillon, Heldman, and McGeorge currently are eligible for a reduced early retirement benefit, as they each have attained age 55.

Mr. Dillon also participates in the Dillon Employees' Profit Sharing Plan (the "Dillon Plan"). The Dillon Plan is a qualified defined contribution plan under which Dillon Companies, Inc. and its participating subsidiaries may choose to make discretionary contributions each year that are then allocated to each participant's account. Participation in the Dillon Plan was frozen effective January 1, 2001. Participants in the Dillon Plan elect from among a number of investment options and the amounts in their accounts are invested and credited with investment earnings in accordance with their elections. Prior to July 1, 2000, participants could elect to make voluntary contributions under the Dillon Plan, but that option was discontinued effective as of July 1, 2000. Participants can elect to receive their Dillon Plan benefit in the form of either a lump sum payment or installment payments.

Due to offset formulas contained in the Consolidated Plan and the Dillon Excess Plan, Mr. Dillon's accrued benefit under the Dillon Plan offsets a portion of the benefit that would otherwise accrue for him under those plans for his service with Dillon Companies, Inc. Although benefits that accrue under defined contribution plans are not reportable under the accompanying table, we have added narrative disclosure of the Dillon Plan because of the offsetting effect that benefits under that plan has on benefits accruing under the Consolidated Plan and the Dillon Excess Plan.

The assumptions used in calculating the present values are set forth in Note 13 to the consolidated financial statements in Kroger's Form 10-K for fiscal year 2009 ended January 30, 2010. The discount rate used to determine the present values is 6%, which is the same rate used at the measurement date for financial reporting purposes.

NONQUALIFIED DEFERRED COMPENSATION

The following table provides information on nonqualified deferred compensation for the named executive officers for 2009.

2009 NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
David B. Dillon	$ 60,000(1)	$0	$ 48,893	$0	$ 709,833
J. Michael Schlotman	$ 0	$0	$ 0	$0	$ 0
W. Rodney McMullen	$ 209,896(1)	$0	$ 313,596	$0	$ 4,657,327
Don W. McGeorge	$ 0	$0	$ 16,828	$0	$ 210,591
Donald E. Becker	$ 0	$0	$ 0	$0	$ 0
Paul W. Heldman	$ 0	$0	$ 29,955	$0	$ 502,669

(1) These amounts represent the deferral of annual bonus earned in fiscal year 2008 and paid in March 2009. These amounts are included in the Summary Compensation Table for 2008.

Eligible participants may elect to defer up to 100% of the amount of their salary that exceeds the sum of the FICA wage base and pre-tax insurance and other Internal Revenue Code Section 125 plan deductions, as well as 100% of their annual and long-term bonus compensation. Deferral account amounts are credited with interest at the rate representing Kroger's cost of ten-year debt as determined by Kroger's CEO prior to the beginning of each deferral year. The interest rate established for deferral amounts for each deferral year will be applied to those deferral amounts for all subsequent years until the deferred compensation is paid out. Participants can elect to receive lump sum distributions or quarterly installments for periods up to ten years. Participants also can elect between lump sum distributions and quarterly installments to be received by designated beneficiaries if the participant dies before distribution of deferred compensation is completed.

DIRECTOR COMPENSATION

The following table describes the fiscal year 2009 compensation for non-employee directors. Employee directors receive no compensation for their Board service.

2009 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (10)	Total ($)
Reuben V. Anderson	$ 74,795	$ 65,195(2)	$ 38,755(3)	$0	—(8)	$114	$ 178,859
Robert D. Beyer	$ 86,762	$ 65,195(2)	$ 38,755(3)	$0	$ 1,036(9)	$114	$ 191,862
Susan J. Kropf	$ 84,763	$ 65,195(2)	$ 38,755(4)	$0	N/A	$114	$ 188,827
John T. LaMacchia	$ 86,762	$ 65,195(2)	$ 38,755(3)	$0	$ 3,900(8)	$114	$ 194,726
David B. Lewis	$ 83,960	$ 65,195(2)	$ 38,755(5)	$0	N/A	$114	$ 188,024
Jorge P. Montoya	$ 86,762	$ 65,195(2)	$ 38,755(4)	$0	N/A	$114	$ 190,826
Clyde R. Moore	$ 74,795	$ 65,195(2)	$ 38,755(3)	$0	$ 900(8)	$114	$ 179,759
Susan M. Phillips	$ 84,775	$ 65,195(2)	$ 38,755(6)	$0	$ 510(9)	$114	$ 189,349
Steven R. Rogel	$ 74,795	$ 65,195(2)	$ 38,755(3)	$0	N/A	$114	$ 178,859
James A. Runde	$ 74,795	$ 65,195(2)	$ 38,755(7)	$0	N/A	$114	$ 178,859
Ronald L. Sargent	$ 91,730	$ 65,195(2)	$ 38,755(7)	$0	$ 9(9)	$114	$ 195,803
Bobby S. Shackouls	$ 116,679	$ 65,195(2)	$ 38,755(3)	$0	N/A	$114	$ 220,743

(1) These amounts represent the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718.

(2) Aggregate number of stock awards outstanding at fiscal year end was 4,875 shares.

(3) Aggregate number of stock options outstanding at fiscal year end was 47,000 shares.

(4) Aggregate number of stock options outstanding at fiscal year end was 18,000 shares.

(5) Aggregate number of stock options outstanding at fiscal year end was 43,000 shares.

(6) Aggregate number of stock options outstanding at fiscal year end was 33,000 shares.

(7) Aggregate number of stock options outstanding at fiscal year end was 23,000 shares.

(8) This amount reflects the change in pension value for the applicable directors. Only those directors elected to the Board prior to July 17, 1997 are eligible to participate in the outside director retirement plan. Mr. Anderson's pension value decreased by $700. In accordance with SEC rules, negative amounts are required to be disclosed, but not reflected in the sum of total compensation.

(9) This amount reflects preferential earnings on nonqualified deferred compensation. For a complete explanation of preferential earnings, please refer to footnote 5 to the Summary Compensation Table.

(10) This amount reflects the cost to the Company per director for providing accidental death and dismemberment insurance coverage for non-employee directors. These premiums are paid on an annual basis in February.

Each non-employee director receives an annual retainer of $75,000. The chair of each committee receives an additional annual retainer of $12,000. Each member of the Audit Committee receives an additional annual retainer of $10,000. The director designated as the “Lead Director” receives an additional annual retainer of $20,000. Each non-employee director also receives annually, at the regularly scheduled Board meeting held in December, restricted stock and nonqualified stock option awards. On December 10, 2009 each non-employee director received 3,250 shares of restricted stock and an award of 6,500 nonqualified stock options.

Non-employee directors first elected prior to July 17, 1997 receive a major medical plan benefit as well as an unfunded retirement benefit. The retirement benefit equals the average cash compensation for the five calendar years preceding retirement. Participants who retire from the Board prior to age 70 will be credited with 50% vesting after five years of service, and 10% for each additional year up to a maximum of 100%. Benefits for participants who retire prior to age 70 begin at the later of actual retirement or age 65.

We also maintain a deferred compensation plan, in which all non-employee members of the Board are eligible to participate. Participants may defer up to 100% of their cash compensation. They may elect from either or both of the following two alternative methods of determining benefits:

- interest accrues until paid out at the rate of interest determined prior to the beginning of the deferral year to represent Kroger’s cost of ten-year debt; and
- amounts are credited in “phantom” stock accounts and the amounts in those accounts fluctuate with the price of Kroger common stock.

In both cases, deferred amounts are paid out only in cash, based on deferral options selected by the participants at the time the deferral elections are made. Participants can elect to have distributions made in a lump sum or in quarterly installments, and may make comparable elections for designated beneficiaries who receive benefits in the event that deferred compensation is not completely paid out upon the death of the participant.

The Board has determined that compensation of non-employee directors must be competitive on an on-going basis to attract and retain directors who meet the qualifications for service on Kroger’s Board. Non-employee director compensation will be reviewed from time to time as the Corporate Governance Committee deems appropriate.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Other than an agreement with Mr. McGeorge, Kroger has no contracts, agreements, plans or arrangements that provide for payments to the named executive officers in connection with resignation, severance, retirement, termination, or change in control, except for those available generally to salaried employees. The Kroger Co. Employee Protection Plan, or KEPP, applies to all management employees and administrative support personnel who are not covered by a collective bargaining agreement, with at least one year of service, and provides severance benefits when a participant’s employment is terminated actually or constructively within two years following a change in control of Kroger. For purposes of KEPP, a change in control occurs if:

- any person or entity (excluding Kroger’s employee benefit plans) acquires 20% or more of the voting power of Kroger;

- a merger, consolidation, share exchange, division, or other reorganization or transaction with Kroger results in Kroger's voting securities existing prior to that event representing less than 60% of the combined voting power immediately after the event;
- Kroger's shareholders approve a plan of complete liquidation or winding up of Kroger or an agreement for the sale or disposition of all or substantially all of Kroger's assets; or
- during any period of 24 consecutive months, individuals at the beginning of the period who constituted Kroger's Board of Directors cease for any reason to constitute at least a majority of the Board of Directors.

Assuming that a change in control occurred on the last day of Kroger's fiscal year 2009, and the named executive officers had their employment terminated, they would receive a maximum payment, or, in the case of group term life insurance, a benefit having a cost to Kroger, in the amounts shown below:

Name	Severance Benefit	Additional Vacation and Bonus	Accrued and Banked Vacation	Group Term Life Insurance	Tuition Reimbursement	Outplacement Reimbursement
David B. Dillon	$4,620,000	$99,615	$630,000	$29	$5,000	$10,000
J. Michael Schlotman	$1,834,000	$34,619	$283,500	$29	$5,000	$10,000
W. Rodney McMullen	$3,180,000	$66,891	$445,000	$29	$5,000	$10,000
Don W. McGeorge	$3,180,000	$66,891	$222,500	$29	$5,000	$10,000
Donald E. Becker	$2,060,000	$38,285	$496,154	$29	$5,000	$10,000
Paul W. Heldman	$2,190,000	$38,910	$150,192	$29	$5,000	$10,000

Each of the named executive officers also is entitled to continuation of health care coverage for up to 24 months at the same contribution rate as existed prior to the change in control. The cost to Kroger cannot be calculated, as Kroger self insures the health care benefit and the cost is based on the health care services utilized by the participant and eligible dependents.

Under KEPP benefits will be reduced, to the extent necessary, so that payments to an executive officer will in no event exceed 2.99 times the officer's average W-2 earnings over the preceding five years.

Kroger's change in control benefits under KEPP and under stock option and restricted stock agreements are discussed further in the Compensation Discussion and Analysis section under the "Retirement and Other Benefits" heading.

On June 24, 2009, we entered into an agreement with Don W. McGeorge regarding an orderly transition of his responsibilities and his retirement. Pursuant to that agreement, effective August 1, 2009, Mr. McGeorge relinquished his duties and responsibilities as President and Chief Operating Officer and assumed the office of Special Advisor to the CEO. Effective December 1, 2009, Mr. McGeorge relinquished his responsibilities as Special Advisor, was no longer an officer of Kroger, and retired from the Board. Mr. McGeorge will continue as an active employee through October 1, 2011, after which he will retire and will be eligible to receive retirement benefits. Prior to that time, he will continue to receive his annual salary of $890,000 and his annual performance-based bonus, based on his bonus potential of $1,000,000, at the same rate earned by the other participants in the corporate plan. Mr. McGeorge will be eligible for a performance-based long-term bonus under the 2008 Long-Term Bonus Plan, based on his potential for that plan of $833,000, at the same rate earned by the other participants under that plan. He will continue to be treated as an active employee under Kroger's stock incentive and employee benefit plans, and will not engage in any business activity in competition with Kroger's retail business through October 1, 2011.

Compensation Policies as they Relate to Risk Management

Kroger's compensation policies and practices for its employees are designed to attract and retain highly qualified and engaged employees, and to minimize risks that would have a material adverse effect on Kroger. One of these policies, the executive compensation recoupment policy, is more particularly described in the Compensation Discussion and Analysis. Kroger does not believe that its compensation policies and practices create risks that are reasonably likely to have a material adverse effect on Kroger.

Beneficial Ownership of Common Stock

As of February 13, 2010, Kroger's directors, the named executive officers, and the directors and executive officers as a group, beneficially owned shares of Kroger's common stock as follows:

Name	Amount and Nature of Beneficial Ownership
Reuben V. Anderson	74,065(1)
Donald E. Becker	398,305(2)(3)(4)
Robert D. Beyer	116,112(1)
David B. Dillon	2,240,058(2)(3)(5)
Paul W. Heldman	523,519(2)(3)(6)
Susan J. Kropf	14,300(7)
John T. LaMacchia	86,900(1)
David B. Lewis	45,800(8)
Don W. McGeorge	741,216(2)(9)
W. Rodney McMullen	1,053,125(2)(3)
Jorge P. Montoya	11,437(7)
Clyde R. Moore	64,500(1)
Susan M. Phillips	46,335(10)
Steven R. Rogel	63,328(1)
James A. Runde	20,800(11)
Ronald L. Sargent	19,800(11)
J. Michael Schlotman	287,125(2)(3)
Bobby S. Shackouls	50,300(1)
Directors and Executive Officers as a group (including those named above)	8,371,137(2)(3)

(1) This amount includes 29,300 shares that represent options that are or become exercisable on or before April 14, 2010.

(2) This amount includes shares that represent options that are or become exercisable on or before April 14, 2010, in the following amounts: Mr. Becker, 221,167; Mr. Dillon, 1,132,000; Mr. Heldman, 221,167; Mr. McGeorge, 433,000; Mr. McMullen, 433,000; Mr. Schlotman, 186,000; and all directors and executive officers as a group, 4,157,834.