SYSCO CORP
Form 10-K
August 31, 2010

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

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 3, 2010

OR

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

Commission File Number 1-6544

Sysco Corporation
(Exact name of registrant as specified in its charter)

Delaware	**74-1648137**
(State or other jurisdiction of incorporation or organization)	*(IRS employer* identification number)
1390 Enclave Parkway **Houston, Texas**	**77077-2099**
(Address of principal executive offices)	*(Zip Code)*

Registrant s Telephone Number, Including Area Code:
(281) 584-1390

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large Accelerated Filer þ	Accelerated Filer o	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately $16,885,216,000 as of December 26, 2009 (based on the closing sales price on the New York Stock Exchange Composite Tape on December 24, 2009, as reported by The Wall Street Journal (Southwest Edition)). As of August 18, 2010, the registrant had issued and outstanding an aggregate of 588,379,521 shares of its common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the company s 2010 Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference into Part III.

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PART I

ITEM 1. *Business*

Unless this Form 10-K indicates otherwise or the context otherwise requires, the terms we, our, us, Sysco, or th company as used in this Form 10-K refer to Sysco Corporation together with its consolidated subsidiaries and divisions.

Overview

Sysco Corporation, acting through its subsidiaries and divisions, is the largest North American distributor of food and related products primarily to the foodservice or food-away-from-home industry. We provide products and related services to approximately 400,000 customers, including restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers.

Founded in 1969, Sysco commenced operations as a public company in March 1970 when the stockholders of nine companies exchanged their stock for Sysco common stock. Since our formation, we have grown from $115.0 million to $37.2 billion in annual sales, both through internal expansion of existing operations and through acquisitions.

Sysco s fiscal year ends on the Saturday nearest to June 30th. This resulted in a 53-week year ending July 3, 2010 for fiscal 2010 and 52-week years ending June 27, 2009 and June 28, 2008 for fiscal 2009 and 2008, respectively.

Sysco Corporation is organized under the laws of Delaware. The address and telephone number of our executive offices are 1390 Enclave Parkway, Houston, Texas 77077-2099, (281) 584-1390. This annual report on Form 10-K, as well as all other reports filed or furnished by Sysco pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on Sysco s website at *www.sysco.com* as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission.

Operating Segments

Sysco provides food and related products to the foodservice or food-away-from-home industry. Under the accounting provisions related to disclosures about segments of an enterprise, we have aggregated our operating companies into a number of segments, of which only Broadline and SYGMA are reportable segments as defined by accounting standards. Broadline operating companies distribute a full line of food products and a wide variety of non-food products to their customers. SYGMA operating companies distribute a full line of food products and a wide variety of non-food products to chain restaurant customer locations. Our other segments include our specialty produce, custom-cut meat and lodging industry products segments and a company that distributes to international customers. Specialty produce companies distribute fresh produce and, on a limited basis, other foodservice products. Specialty meat companies distribute custom-cut fresh steaks, other meat, seafood and poultry. Our lodging industry products company distributes personal care guest amenities, equipment, housekeeping supplies, room accessories and textiles to the lodging industry. Selected financial data for each of our reportable segments as well as financial information concerning geographic areas can be found in Note 19, Business Segment Information, in the Notes to Consolidated Financial Statements in Item 8.

Customers and Products

Sysco s customers in the foodservice industry include restaurants, hospitals, schools, hotels, industrial caterers and other similar venues where foodservice products are served. Services to our customers are supported by similar physical facilities, vehicles, material handling equipment and techniques, and administrative and operating staffs.

The products we distribute include:

- a full line of frozen foods, such as meats, fully prepared entrees, fruits, vegetables and desserts;
- a full line of canned and dry foods;
- fresh meats;
- dairy products;
- beverage products;

imported specialties; and

fresh produce.

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We also supply a wide variety of non-food items, including:

- paper products such as disposable napkins, plates and cups;
- tableware such as china and silverware;
- cookware such as pots, pans and utensils;
- restaurant and kitchen equipment and supplies; and
- cleaning supplies.

A comparison of the sales mix in the principal product categories during the last three years is presented below:

	2010	2009	2008
Canned and dry products	19%	19%	18%
Fresh and frozen meats	17	17	18
Frozen fruits, vegetables, bakery and other	14	14	14
Dairy products	10	10	11
Poultry	10	10	10
Fresh produce	9	8	8
Paper and disposables	8	8	8
Seafood	5	5	5
Beverage products	4	4	3
Janitorial products	2	3	3
Equipment and smallwares	2	2	2
Medical supplies [1]			
	100%	100%	100%

[1] Sales are less than 1% of total

Our operating companies distribute nationally-branded merchandise, as well as products packaged under our private brands. Products packaged under our private brands have been manufactured for Sysco according to specifications that have been developed by our quality assurance team. In addition, our quality assurance team certifies the manufacturing and processing plants where these products are packaged, enforces our quality control standards and identifies supply sources that satisfy our requirements.

We believe that prompt and accurate delivery of orders, close contact with customers and the ability to provide a full array of products and services to assist customers in their foodservice operations are of primary importance in the marketing and distribution of foodservice products to our customers. Our operating companies offer daily delivery to certain customer locations and have the capability of delivering special orders on short notice. Through our more than 13,000 sales and marketing representatives and support staff of Sysco and our operating companies, we stay informed of the needs of our customers and acquaint them with new products and services. Our operating companies also provide ancillary services relating to foodservice distribution, such as providing customers with product usage reports and other data, menu-planning advice, food safety training and assistance in inventory control, as well as access to various third party services designed to add value to our customers businesses.

No single customer accounted for 10% or more of Sysco s total sales for the fiscal year ended July 3, 2010.

Based upon available information, we estimate that sales by type of customer during the past three fiscal years were as follows:

Type of Customer	**2010**	**2009**	**2008**

Restaurants	62%	62%	63%
Hospitals and nursing homes	11	11	10
Hotels and motels	6	6	6
Schools and colleges	5	5	5
Other	16	16	16
Totals	100%	100%	100%

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Sources of Supply

We purchase from thousands of suppliers, both domestic and international, none of which individually accounts for more than 10% of our purchases. These suppliers consist generally of large corporations selling brand name and private label merchandise, as well as independent regional brand and private label processors and packers. Purchasing is generally carried out through both centrally developed purchasing programs and direct purchasing programs established by our various operating companies.

Sysco s Baugh Supply Chain Cooperative, Inc. (BSCC) administers a consolidated product procurement program designed to develop, obtain and ensure consistent quality food and non-food products. The program covers the purchasing and marketing of Sysco Brand merchandise as well as products from a number of national brand suppliers, encompassing substantially all product lines. Sysco s operating companies purchase product from the suppliers participating in BSCC s programs and from other suppliers, although Sysco Brand products are only available to the operating companies through BSCC s programs.

Sysco s National Supply Chain group, a department at the corporate headquarters, is focused on increasing profitability by lowering operating costs and by lowering aggregate inventory levels, which reduces future facility expansion needs at our broadline operating companies, while providing greater value to our suppliers and customers. One of the initiatives of this group is redistribution, which involves the construction and operation of regional distribution centers (RDCs), which aggregate inventory demand to optimize the supply chain activities for certain products for all Sysco broadline operating companies in the region. Currently, we have two RDCs in operation in Virginia and Florida and have made initial investments to build two additional RDCs. Management is evaluating the most appropriate timing for the building of these RDCs, balancing both market conditions and the timing of the implementation of the company s Business Transformation Project (see more discussion below under Capital Improvements).

Working Capital Practices

Our growth is funded through a combination of cash flow from operations, commercial paper issuances and long-term borrowings. See the discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources at Item 7 regarding our liquidity, financial position and sources and uses of funds.

Credit terms we extend to our customers can vary from cash on delivery to 30 days or more based on our assessment of each customer s credit worthiness. We monitor each customer s account and will suspend shipments if necessary.

A majority of our sales orders are filled within 24 hours of when customer orders are placed. We generally maintain inventory on hand to be able to meet customer demand. The level of inventory on hand will vary by product depending on shelf-life, supplier order fulfillment lead times and customer demand. We also make purchases of additional volumes of certain products based on supply or pricing opportunities.

We take advantage of suppliers cash discounts where appropriate and otherwise generally receive payment terms from our suppliers ranging from weekly to 30 days or more.

Corporate Headquarters Services

Our corporate staff makes available a number of services to our operating companies. Members of the corporate staff possess experience and expertise in, among other areas, accounting and finance, treasury, cash management, information technology, employee benefits, engineering, risk management and insurance, sales and marketing, payroll, human resources, training and development, and tax compliance services. The corporate office also makes available warehousing and distribution services, which provide assistance in operational best practices including space utilization, energy conservation, fleet management and work flow.

Capital Improvements

To maximize productivity and customer service, we continue to modernize or construct new distribution facilities. During fiscal 2010, 2009 and 2008, approximately $594.6 million, $464.6 million and $516.0 million respectively, were invested in facility expansions, fleet additions and other capital asset enhancements. We estimate our capital expenditures in fiscal 2011 should be in the range of $700 million to $750 million. During the three years ended July 3, 2010, capital expenditures were financed primarily by internally generated funds, our commercial paper

program and bank and other borrowings. We expect to finance our fiscal 2011 capital expenditures from the same sources.

We are undertaking a Business Transformation Project, pursuant to which we are developing and implementing an integrated software system to support a majority of our businesses and further streamline our operations. These systems are commonly referred to as Enterprise Resource Planning (ERP) systems. We have substantially completed the design and build phases of our Business Transformation Project, and we are currently testing the underlying ERP system and processes. Implementation is anticipated to begin with the first operating company location in the first half of calendar 2011 and our

shared business services center in fiscal 2011. Approximately $160 million to $180 million of the fiscal 2011 estimated capital expenditures are related to the Business Transformation Project.

Employees

As of July 3, 2010, we had approximately 46,000 full-time employees, approximately 18% of whom were represented by unions, primarily the International Brotherhood of Teamsters. Contract negotiations are handled by each individual operating company. Approximately 28% of our union employees are covered by collective bargaining agreements which have expired or will expire during fiscal 2011 and are subject to renegotiation. Since July 3, 2010, two contracts covering 452 of such employees have been renegotiated. We consider our labor relations to be satisfactory.

Competition

Industry sources estimate that there are more than 16,500 companies engaged in foodservice distribution in the United States. Our customers may also choose to purchase products directly from retail outlets or negotiate prices directly with our suppliers. While we compete primarily with local and regional distributors, a few companies compete with us on a national basis. We believe that the principal competitive factors in the foodservice industry are effective customer contacts, the ability to deliver a wide range of quality products and related services on a timely and dependable basis and competitive prices. An additional competitive factor for our larger chain restaurant customers is the ability to provide a national distribution network. We consider our primary market to be the foodservice market in the United States and Canada and estimate that we served about 17% of this approximately $210 billion annual market. We believe, based upon industry trade data, that our sales to the United States and Canada food-away-from-home industry were the highest of any foodservice distributor during fiscal 2010. While adequate industry statistics are not available, we believe that in most instances our local operations are among the leading distributors of food and related non-food products to foodservice customers in their respective trading areas. We believe our competitive advantages include our more than 8,000 marketing associates, our diversified product base, which includes a differentiated group of high quality Sysco brand products, the diversity in the types of customers we serve, our economies of scale and our wide geographic presence in the United States and Canada, which mitigates some of the impact of regional economic declines that may occur over time and provides a national distribution network for larger chain restaurant customers. We believe our liquidity and access to capital provides us the ability to continuously invest in our business including implementation of various supply chain and operational initiatives to improve efficiency and productivity. We are the only publicly-traded distributor in the food-away-from-home industry in the United States. While our public company status provides us with some advantages, including access to capital, we believe it also provides us with some disadvantages that our competitors do not have in terms of additional costs related to complying with regulatory requirements.

Government Regulation

As a marketer and distributor of food products, we are subject to the U.S. Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (FDA), as well as the Canadian Food and Drugs Act and the regulations thereunder.

The FDA regulates food safety through various statutory and regulatory mandates, including manufacturing and holding requirements for foods through good manufacturing practice regulations, hazard analysis and critical control point (HACCP) requirements for certain foods, and the food and color additive approval process. The agency also specifies the standards of identity for certain foods, prescribes the format and content of information required to appear on food product labels, regulates food contact packaging and materials, and maintains a Reportable Food Registry for the industry to report when there is a reasonable probability that an article of food will cause serious adverse health consequences. For certain product lines, we are also subject to the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Perishable Agricultural Commodities Act, the Packers and Stockyard Act and regulations promulgated by the U.S. Department of Agriculture (USDA) to interpret and implement these statutory provisions. The USDA imposes standards for product safety, quality and sanitation through the federal meat and poultry inspection program. The USDA reviews and approves the labeling of these products and also establishes standards for the grading and commercial acceptance of produce shipments from our suppliers. We are also subject to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, which imposes certain

registration and record keeping requirements on facilities that manufacture, process, pack or hold food for human or animal consumption.

In Canada, the Canadian Food Inspection Agency administers and enforces the food safety and nutritional quality standards established by Health Canada under the Canadian Food and Drugs Act and under other related federal legislation, including the Canada Agricultural Products Act, the Meat Inspection Act, the Fish Inspection Act and the Consumer Packaging and Labeling Act (as it relates to food). These laws regulate the processing, storing, grading, packaging, marking, transporting and inspection of certain Sysco product lines as well as the packaging, labeling, sale, importation and advertising of pre-packaged and certain other products.

We and our products are also subject to state, provincial and local regulation through such measures as the licensing of our facilities; enforcement by state, provincial and local health agencies of state, provincial and local standards for our products;

and regulation of our trade practices in connection with the sale of our products. Our facilities are subject to inspections and regulations issued pursuant to the U.S. Occupational Safety and Health Act by the U.S. Department of Labor, together with similar occupational health and safety laws in each Canadian province. These regulations require us to comply with certain manufacturing, health and safety standards to protect our employees from accidents and to establish hazard communication programs to transmit information on the hazards of certain chemicals present in products we distribute.

We are also subject to regulation by numerous U.S. and Canadian federal, state, provincial and local regulatory agencies, including, but not limited to, the U.S. Department of Labor and each Canadian provincial ministry of labour, which set employment practice standards for workers, and the U.S. Department of Transportation and the Canadian Transportation Agency, which regulate transportation of perishable and hazardous materials and waste, and similar state, provincial and local agencies.

Most of our distribution facilities have ammonia-based refrigeration systems and tanks for the storage of diesel fuel and other petroleum products which are subject to laws regulating such systems and storage tanks. Other U.S. and Canadian federal, state, provincial and local provisions relating to the protection of the environment or the discharge of materials do not materially impact the use or operation of our facilities.

Compliance with these laws has not had, and is not anticipated to have, a material effect on our capital expenditures, earnings or competitive position.

General

We have numerous trademarks which are of significant importance to the company. We believe that the loss of the Sysco(R) trademark would have a material adverse effect on our results of operations.

We are not engaged in material research and development activities relating to the development of new products or the improvement of existing products.

Our sales do not generally fluctuate significantly on a seasonal basis; therefore, the business of the company is not deemed to be seasonal.

As of July 3, 2010, we operated 180 distribution facilities throughout the United States, Canada and Ireland.

Item 1A. *Risk Factors*

Periods of Difficult Economic Conditions and Heightened Uncertainty in the Financial Markets Affect Consumer Confidence, which Can Adversely Impact our Business

The foodservice distribution industry is characterized by relatively high inventory turnover with relatively low profit margins and the foodservice industry is sensitive to national and regional economic conditions. From late in fiscal 2008 through the beginning of fiscal 2010, deteriorating economic conditions and heightened uncertainty in the financial markets negatively affected consumer confidence and discretionary spending. This led to reductions in the frequency of dining out and the amount spent by consumers for food-away-from-home purchases. These conditions, in turn, negatively impacted our sales, as noted by our declining sequential sales trend each quarter from a positive 8.5% in the first quarter of fiscal 2008 to a negative 8.1% in the first quarter of fiscal 2010. The development of similar economic conditions in the future or permanent changes in consumer dining habits as a result of such conditions would likely negatively impact our operating results. Although economic conditions appear to have improved since the first quarter of fiscal 2010, the perceived improvement may not continue or may not result in consumers returning to their prior dining habits.

Periods of Significant or Prolonged Inflation or Deflation Affect our Product Costs and Profitability

Volatile food costs have a direct impact on our industry. Prolonged periods of product cost inflation may have a negative impact on our profit margins and earnings to the extent that we are unable to pass on all or a portion of such product cost increases to our customers, which may have a negative impact on our business and our profitability. In addition, product cost inflation may negatively impact consumer spending decisions, which could adversely impact our sales. Conversely, our business may be adversely impacted by periods of prolonged product cost deflation because we make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, our profit levels may be negatively impacted during periods of product cost deflation, even though our gross profit percentage may remain relatively constant. Our estimate for the deflation in Sysco s cost of goods was 1.5% in fiscal 2010, compared to inflation of 4.7% in fiscal 2009 and 6.0% in fiscal 2008.

Our Enterprise-wide Software Integration Project Could Experience Implementation Problems, Scheduling Delays or Cost Overages and May Not Prove to Be Cost Effective or Result in the Benefits We Anticipate, Negatively Impacting our Business, Results of Operations and Liquidity

In fiscal 2009, we commenced the design of an enterprise-wide project to implement an integrated software system, commonly referred to as an Enterprise Resource Planning (ERP) system, to support a majority of our business processes and further streamline our operations. We are currently testing the ERP system and processes that have been designed and built and believe that implementation will occur across the majority of our Broadline and SYGMA operating companies beginning in fiscal 2011 and ending in fiscal 2013. ERP implementations are complex and time-consuming projects that involve substantial investments in system software and implementation activities over a multi-year timeframe. As is the case in most ERP implementations, we expect that the implementation of our ERP system will require transformation of business and financial processes in order to realize the full benefits of the project. Although we expect the investment in the Business Transformation Project to provide meaningful benefits to the company over the long-term, the costs will exceed the benefits during the early stages of implementation, including fiscal 2011. The expected costs of the project in fiscal 2011 may be greater or less than currently expected because as we begin implementation of the project, we may encounter the need for changes in design or revisions of the project calendar and budget, including the incurrence of expenses at an earlier or later time than currently anticipated. Our business and results of operations may be adversely affected if we experience operating problems, scheduling delays, cost overages or limitations on the extent of the business transformation during the ERP implementation process. In addition, because the implementation is expected to involve a significant capital commitment, our business, results of operations and liquidity may also be adversely affected if the ERP system, and the associated process changes, do not prove to be cost effective or do not result in the cost savings and other benefits that we anticipate.

We May Not Be Able to Fully Compensate for Increases in Fuel Costs

Volatile fuel prices have a direct impact on our industry. The cost of fuel affects the price paid by us for products as well as the costs incurred by us to deliver products to our customers. Although we have been able to pass along a portion of increased fuel costs to our customers in the past, there is no guarantee that we can do so again if another period of high fuel costs occurs. If fuel costs increase again in the future, we may experience difficulties in passing all or a portion of these costs along to our customers, which may have a negative impact on our business and our profitability. From time to time, we enter into forward purchase commitments for a portion of our projected monthly diesel fuel requirements at prices equal to the then-current market price for diesel. If fuel prices decrease significantly, these forward purchases may prove ineffective and result in us paying higher than market costs for a portion of our diesel fuel.

Conditions Beyond our Control can Interrupt our Supplies and Increase our Product Costs

We obtain substantially all of our foodservice and related products from third party suppliers. For the most part, we do not have long-term contracts with our suppliers committing them to provide products to us. Although our purchasing volume can provide leverage when dealing with suppliers, suppliers may not provide the foodservice products and supplies needed by us in the quantities and at the prices requested. We are also subject to delays caused by interruption in production and increases in product costs based on conditions outside of our control. These conditions include work slowdowns, work interruptions, strikes or other job actions by employees of suppliers, short-term weather conditions or more prolonged climate change, crop conditions, product recalls, water shortages, transportation interruptions, unavailability of fuel or increases in fuel costs, competitive demands and natural disasters or other catastrophic events (including, but not limited to food-borne illnesses). Our inability to obtain adequate supplies of foodservice and related products as a result of any of the foregoing factors or otherwise could mean that we could not fulfill our obligations to customers, and customers may turn to other distributors.

Adverse Publicity about us or Lack of Confidence in our Products Could Negatively Impact our Reputation and Reduce Earnings

Maintaining a good reputation and public confidence in the safety of the products we distribute is critical to our business, particularly to selling Sysco Brand products. Anything that damages that reputation or the public s confidence in our products, whether or not justified, including adverse publicity about the quality, safety or integrity

of our products, could quickly affect our revenues and profits. Reports, whether true or not, of food-borne illnesses, such as e-coli, avian flu, bovine spongiform encephalopathy, hepatitis A, trichinosis or salmonella, and injuries caused by food tampering could also severely injure our reputation or negatively impact the public s confidence in our products. If patrons of our restaurant customers become ill from food-borne illnesses, our customers could be forced to temporarily close restaurant locations and our sales and profitability would be correspondingly decreased. In addition, instances of food-borne illnesses or food tampering or other health concerns, such as flu epidemics or other pandemics, even those unrelated to the use of Sysco products, or public concern regarding the safety of our products, can result in negative publicity about the food service distribution industry and cause our sales and profitability to decrease dramatically.

Product Liability Claims Could Materially Impact our Business

We, like any other seller of food, face the risk of exposure to product liability claims in the event that the use of products sold by Sysco causes injury or illness. With respect to product liability claims, we believe we have sufficient primary or excess umbrella liability insurance. However, this insurance may not continue to be available at a reasonable cost or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying our products, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by suppliers. If Sysco does not have adequate insurance or contractual indemnification available, product liability relating to defective products could materially reduce our net earnings and earnings per share.

Expanding into International Markets and Complimentary Lines of Business Presents Unique Challenges, and our Expansion Efforts with respect to International Operations and Complimentary Lines of Business may not be Successful

In addition to our domestic activities, an element of our strategy includes the possibility of further expansion of operations into international markets. Our ability to successfully operate in international markets may be adversely affected by local laws and customs, legal and regulatory constraints, including compliance with the Foreign Corrupt Practices Act, political and economic conditions and currency regulations of the countries or regions in which we currently operate or intend to operate in the future. Risks inherent in our existing and future international operations also include, among others, the costs and difficulties of managing international operations, difficulties in identifying and gaining access to local suppliers, suffering possible adverse tax consequences, maintaining product quality and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations may have an impact on our future costs or on future sales and cash flows from our international operations.

Another element of our strategy includes the possibility of expansion into businesses that are closely related or complimentary to, but not currently part of, our core foodservice distribution business. Our ability to successfully operate in these complimentary business markets may be adversely affected by legal and regulatory constraints, including compliance with regulatory programs to which we become subject. Risks inherent in branching out into such complimentary markets also include the costs and difficulties of managing operations outside of our core business, which may require additional skills and competencies, as well as difficulties in identifying and gaining access to suppliers or customers in new markets.

We Must Finance and Integrate Acquired Businesses Effectively

Historically, a portion of our growth has come through acquisitions. If we are unable to integrate acquired businesses successfully or realize anticipated economic, operational and other benefits and synergies in a timely manner, our earnings per share may decrease. Integration of an acquired business may be more difficult when we acquire a business in a market in which we have limited expertise, or with a culture different from Sysco s. A significant expansion of our business and operations, in terms of geography or magnitude, could strain our administrative and operational resources. Significant acquisitions may also require the issuance of material additional amounts of debt or equity, which could materially alter our debt to equity ratio, increase our interest expense and decrease earnings per share, and make it difficult for us to obtain favorable financing for other acquisitions or capital investments.

We Need Access to Borrowed Funds in Order to Grow and Any Default by Us Under our Indebtedness Could Have a Material Adverse Impact

A substantial part of our growth historically has been the result of acquisitions and capital expansion. We anticipate additional acquisitions and capital expansion in the future. As a result, our inability to finance acquisitions and capital expenditures through borrowed funds could restrict our ability to expand. Moreover, any default under the documents governing our indebtedness could have a significant adverse effect on our cash flows, as well as the market value of our common stock.

Technology Dependence Could have a Material Negative Impact on our Business

Our ability to decrease costs and increase profits, as well as our ability to serve customers most effectively, depends on the reliability of our technology network. We use software and other technology systems, among other things, to generate and select orders, to load and route trucks and to monitor and manage our business on a day-to-day basis. Any disruption to these computer systems could adversely impact our customer service, decrease the volume of our business and result in increased costs. Furthermore, process changes may be required as we continue to use our existing warehousing, delivery, and payroll systems to support operations as we implement the ERP system. While Sysco has invested and continues to invest in technology security initiatives and disaster recovery plans, these measures cannot fully insulate us from technology disruption that could result in adverse effects on operations and profits.

We may be Required to Pay Material Amounts Under Multi-Employer Defined Benefit Pension Plans

We contribute to several multi-employer defined benefit pension plans based on obligations arising under collective bargaining agreements covering union-represented employees. Approximately 11% of our current employees are participants in such multi-employer plans. In fiscal 2010, our total contributions to these plans, which include payments for voluntary withdrawals, were approximately $51.5 million.

We do not directly manage these multi-employer plans, which are generally managed by boards of trustees, half of whom are appointed by the unions and the other half by other contributing employers to the plan. Based upon the information available to us from plan administrators, we believe that several of these multi-employer plans are underfunded. In addition, the Pension Protection Act, enacted in August 2006, requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. As a result, we expect our required contributions to these plans to increase in the future.

Under current law regarding multi-employer defined benefit plans, a plan s termination, our voluntary withdrawal, or the mass withdrawal of all contributing employers from any underfunded multi-employer defined benefit plan would require us to make payments to the plan for our proportionate share of the multi-employer plan s unfunded vested liabilities. Based on the information currently available from plan administrators, which has valuation dates ranging from January 31, 2008 to June 30, 2009, Sysco estimates its share of the aggregate withdrawal liability on most of the multi-employer plans in which it participates could have been as much as $183.0 million as of July 3, 2010 based on a voluntary withdrawal. The majority of the plans we participate in have a valuation date of calendar year-end. As such, the majority of our estimated withdrawal liability results from plans for which the valuation date was December 31, 2008; therefore, our estimated liability reflects the asset losses incurred by the financial markets as of that date. In general, the financial markets improved during calendar year 2009; therefore, we believe our current share of the withdrawal liability could differ from this estimate. In addition, if a multi-employer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service (IRS) may impose a nondeductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund. As of July 3, 2010, Sysco had approximately $0.9 million in liabilities recorded in total related to certain multi-employer defined benefit plans for which our voluntary withdrawal has already occurred. Requirements to pay such increased contributions, withdrawal liability, and excise taxes could negatively impact our liquidity and results of operations.

Our Funding of our Company-Sponsored Pension Plans may Increase and our Earnings May Decrease Should Financial Markets and the Value of our Company Owned Life Insurance Experience Future Declines

Our company-sponsored qualified pension plan (Retirement Plan) holds investments in both equity and fixed income securities. The amount of our annual contribution to the plan is dependent upon, among other things, the returns on the plan s assets and discount rates used to calculate the plan s liability. Our expense is also impacted by these items. Fluctuations in asset values can cause the amount of our anticipated future contributions to the plan to increase and pension expense to increase and can result in a reduction to shareholders equity on our balance sheet at fiscal year-end, which is when this plan s funded status is measured. Also, the projected liability of the plan will be impacted by the fluctuations of interest rates on high quality bonds in the public markets as these are inputs in determining our discount rate at fiscal year-end. Specifically, decreases in these interest rates may have an adverse impact on our results of operations. To the extent financial markets experience future declines similar to those experienced in fiscal 2008 through the beginning of fiscal 2010, and/or interest rates on high quality bonds in the public markets decline, our contributions and pension expense may increase for future years as our funded status decreases, which could have an adverse impact on our liquidity and results of operations.

Sysco invests in corporate-owned life insurance policies in order to fund certain retirement programs which are subject to market risk. The value of our investments in corporate-owned life insurance (COLI) policies is largely based on the values of underlying investments, which include publicly traded securities. Therefore, the value of these policies will be adjusted each period based on the performance of the underlying securities which has in the past resulted, and could in the future further result, in volatility in our earnings. As of July 3, 2010, our investments in COLI policies were valued at $203.2 million. During periods of significant declines in the financial markets, we experienced significant losses in adjusting the carrying value of these policies to their cash surrender values. Should

the financial markets suffer significant declines again in the future, we would take additional charges to adjust the carrying value of our COLI policies, which would increase our operating expenses, and adversely impact our net earnings and earnings per share.

Failure to Successfully Renegotiate Union Contracts Could Result in Work Stoppages

As of July 3, 2010, approximately 8,400 employees at 51 operating companies were members of 55 different local unions associated with the International Brotherhood of Teamsters and other labor organizations. In fiscal 2011, 12 agreements covering approximately 2,400 employees have expired or will expire. Since July 3, 2010, two contracts covering 452 of the 2,400 employees have been renegotiated. Failure of our operating companies to effectively renegotiate these contracts could result in work stoppages. Although our operating subsidiaries have not experienced any significant labor disputes or work

stoppages to date, and we believe they have satisfactory relationships with their unions, a work stoppage due to failure of multiple operating subsidiaries to renegotiate union contracts could have a material adverse effect on us.

A Shortage of Qualified Labor Could Negatively Impact our Business and Materially Reduce Earnings

Our operations rely heavily on our employees, particularly drivers, and any shortage of qualified labor could significantly affect our business. Our recruiting and retention efforts and efforts to increase productivity gains may not be successful and there may be a shortage of qualified drivers in future periods. Any such shortage would decrease Sysco s ability to effectively serve our customers. Such a shortage would also likely lead to higher wages for employees and a corresponding reduction in our net earnings.

Our Preferred Stock Provides Anti-Takeover Benefits that may not be Viewed as Beneficial to Stockholders

Under our Restated Certificate of Incorporation, Sysco s Board of Directors is authorized to issue up to 1,500,000 shares of preferred stock without stockholder approval. Issuance of these shares could make it more difficult for anyone to acquire Sysco without approval of the Board of Directors, depending on the rights and preferences of the stock issued. In addition, if anyone attempts to acquire Sysco without approval of the Board of Directors of Sysco, the existence of this undesignated preferred stock could allow the Board of Directors to adopt a shareholder rights plan without obtaining stockholder approval, which could result in substantial dilution to a potential acquirer. As a result, hostile takeover attempts that might result in an acquisition of Sysco, that could otherwise have been financially beneficial to our stockholders, could be deterred.

Item 1B. ***Unresolved Staff Comments***

None.

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Item 2. ***Properties***

The table below shows the number of distribution facilities occupied by Sysco in each state, province or country and the aggregate square footage devoted to cold and dry storage as of July 3, 2010.

Location	Number of Facilities	Cold Storage (Square Feet in thousands)	Dry Storage (Square Feet in thousands)	Segment Served*
Alabama	2	184	228	BL
Alaska	1	43	26	BL
Arizona	2	130	104	BL, O
Arkansas	2	130	87	BL, O
California	17	997	1,120	BL, S, O
Colorado	4	283	214	BL, S, O
Connecticut	3	165	116	BL, O
District of Columbia	1	22	3	O
Florida	16	1,253	1,012	BL, S, O
Georgia	6	295	512	BL, S, O
Idaho	2	84	88	BL
Illinois	5	371	387	BL, S, O
Indiana	1	100	109	BL
Iowa	1	93	95	BL
Kansas	1	177	171	BL
Kentucky	1	92	106	BL
Louisiana	1	134	113	BL
Maine	1	59	50	BL
Maryland	3	291	316	BL, O
Massachusetts	2	161	207	BL, S
Michigan	5	320	398	BL, S, O
Minnesota	2	150	135	BL
Mississippi	1	95	69	BL
Missouri	2	107	95	BL, S
Montana	1	120	121	BL
Nebraska	1	74	108	BL
Nevada	3	210	124	BL, O
New Jersey	3	154	350	BL, O
New Mexico	1	120	108	BL
New York	2	224	199	BL
North Carolina	6	329	429	BL, S, O
North Dakota	1	46	59	BL
Ohio	9	390	518	BL, S, O
Oklahoma	4	132	124	BL, S, O
Oregon	3	177	160	BL, S, O
Pennsylvania	4	369	356	BL, S
South Carolina	1	151	98	BL
Tennessee	5	395	442	BL, O
Texas	19	1,081	1,097	BL, S, O
Utah	1	161	107	BL

Virginia	3	564	410	BL
Washington	1	134	92	BL
Wisconsin	2	287	242	BL
Alberta, Canada	3	207	200	BL
British Columbia, Canada	8	283	326	BL, O
Manitoba, Canada	1	58	46	BL
New Brunswick, Canada	2	48	56	BL
Newfoundland, Canada	1	33	22	BL
Nova Scotia, Canada	1	33	45	BL
Ontario, Canada	9	402	361	BL, O
Quebec, Canada	1	36	63	BL
Saskatchewan, Canada	1	40	54	BL
Ireland	1	38	40	BL
Total	180	12,032	12,118	

* Segments served include Broadline (BL), SYGMA (S) and Other (O).

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We own approximately 19,634,000 square feet of our distribution facilities (or 81.0% of the total square feet), and the remainder is occupied under leases expiring at various dates from fiscal 2011 to fiscal 2032, exclusive of renewal options. Certain of the facilities owned by the company are subject to industrial revenue bond financing arrangements totaling $13.7 million as of July 3, 2010. Such industrial revenue bond financing arrangements mature at various dates through fiscal 2026.

We own our approximately 625,000 square foot headquarters office complex in Houston, Texas. In addition, we own our approximately 661,000 square foot shared services complex in Cypress, Texas, which is expected to become operational in fiscal 2011.

We are currently constructing expansions or replacement facilities for our distribution facilities in Winnipeg, Manitoba, Canada; Toronto, Ontario, Canada; Philadelphia, Pennsylvania; Austin, Texas; and San Antonio, Texas. These operating companies, in the aggregate, accounted for approximately 3.6% of fiscal 2010 sales.

As of July 3, 2010, our fleet of approximately 8,800 delivery vehicles consisted of tractor and trailer combinations, vans and panel trucks, most of which are either wholly or partially refrigerated for the transportation of frozen or perishable foods. We own approximately 89% of these vehicles and lease the remainder.

Item 3. ***Legal Proceedings***

We are engaged in various legal proceedings which have arisen in the normal course of business but have not been fully adjudicated. These proceedings, in our opinion, will not have a material adverse effect upon our consolidated financial position or results of operations when ultimately concluded.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities***

The principal market for Sysco s common stock (SYY) is the New York Stock Exchange. The table below sets forth the high and low sales prices per share for our common stock as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the periods indicated.

	Common Stock Prices		Dividends Declared
	High	Low	Per Share
Fiscal 2009:			
First Quarter	$35.00	$26.81	$0.22
Second Quarter	33.40	20.74	0.24
Third Quarter	24.81	19.39	0.24
Fourth Quarter	24.84	21.26	0.24
Fiscal 2010:			
First Quarter	$26.10	$21.38	$0.24
Second Quarter	29.48	24.24	0.25
Third Quarter	29.58	26.99	0.25
Fourth Quarter	31.99	28.13	0.25

The number of record owners of Sysco s common stock as of August 18, 2010 was 14,992.

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We made the following share repurchases during the fourth quarter of fiscal 2010:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 March 28 April 24	537,331	$ 29.80	533,700	7,317,900
Month #2 April 25 May 22	1,072,389	30.53	1,061,758	6,256,142
Month #3 May 23 July 03	2,872,541	30.24	2,869,542	3,386,600
Total	4,482,261	$ 30.26	4,465,000	3,386,600

(1) The total number of shares purchased includes 3,631, 10,631 and 2,999 shares tendered by individuals in connection with stock option exercises in Month #1, Month #2 and Month #3, respectively. All other shares were purchased pursuant to the publicly announced program described below.

On September 22, 2008, we announced that the Board of Directors approved the repurchase of 20,000,000 shares. Pursuant to the repurchase program, shares may be acquired in the open market or in privately negotiated transactions at the company s discretion, subject to market conditions and other factors. On August 27, 2010, the Board of Directors approved a new share repurchase program covering an additional 20,000,000 shares.

In July 2004, the Board of Directors authorized us to enter into agreements from time to time to extend our ongoing repurchase program to include repurchases during company announced blackout periods of such securities in compliance with Rule 10b5-1 promulgated under the Exchange Act.

Stock Performance Graph

The following performance graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that Sysco specifically incorporates such information by reference into such filing.

The following stock performance graph compares the performance of Sysco s Common Stock to the S&P 500 Index and to the S&P 500 Food/Staple Retail Index for Sysco s last five fiscal years.

The graph assumes that the value of the investment in our Common Stock, the S&P 500 Index, and the S&P 500 Food/Staple Index was $100 on the last trading day of fiscal 2005, and that all dividends were reinvested. Performance data for Sysco, the S&P 500 Index and the S&P 500 Food/Staple Retail Index is provided as of the last trading day of each of our last five fiscal years.

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	7/2/05	7/1/06	6/30/07	6/28/08	6/27/09	7/3/10
Sysco Corporation	$100	$ 86	$ 95	$ 84	$71	$90
S&P 500	100	108	130	113	84	95
S&P 500 Food/Staple Retail Index	100	102	109	114	94	95

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Item 6. ***Selected Financial Data***

	Fiscal Year				
	2010 (53 Weeks)	2009	2008	2007	2006
	(In thousands except for per share data)				
Sales	$ 37,243,495	$ 36,853,330	$ 37,522,111	$ 35,042,075	$ 32,628,438
Earnings before income taxes	1,849,589	1,770,834	1,791,338	1,621,215	1,394,946
Income taxes	669,606	714,886	685,187	620,139	548,906
Earnings before cumulative effect of accounting change	1,179,983	1,055,948	1,106,151	1,001,076	846,040
Cumulative effect of accounting change					9,285
Net earnings	$ 1,179,983	$ 1,055,948	$ 1,106,151	$ 1,001,076	$ 855,325
Earnings before cumulative effect of accounting change:					
Basic earnings per share	$ 1.99	$ 1.77	$ 1.83	$ 1.62	$ 1.36
Diluted earnings per share	1.99	1.77	1.81	1.60	1.35
Net earnings:					
Basic earnings per share	$ 1.99	$ 1.77	$ 1.83	$ 1.62	$ 1.38
Diluted earnings per share	1.99	1.77	1.81	1.60	1.36
Dividends declared per share	$ 0.99	$ 0.94	$ 0.85	$ 0.74	$ 0.66
Total assets	$ 10,313,701	$ 10,148,186	$ 10,010,615	$ 9,475,365	$ 8,937,470
Capital expenditures	594,604	464,561	515,963	603,242	513,934
Current maturities of long-term debt	$ 7,970	$ 9,163	$ 4,896	$ 3,568	$ 106,265
Long-term debt	2,472,662	2,467,486	1,975,435	1,758,227	1,627,127
Total long-term debt	2,480,632	2,476,649	1,980,331	1,761,795	1,733,392
Shareholders equity	3,827,526	3,449,702	3,408,986	3,278,400	3,052,284
Total capitalization	$ 6,308,158	$ 5,926,351	$ 5,389,317	$ 5,040,195	$ 4,785,676
Ratio of long-term debt to capitalization	39.3%	41.8%	36.8%	35.0%	36.2%

Our financial results are impacted by accounting changes and the adoption of various accounting standards. See Note 2, Accounting Changes, to the Consolidated Financial Statements in Item 8 for further discussion.

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Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

Highlights

Weak economic conditions in the United States and Canada combined with lower consumer confidence contributed to a difficult business environment in fiscal 2010; however, this environment improved as the year progressed. Although these factors unfavorably impacted financial results in fiscal 2010, improving sales trends in the second half of the year and our attention to cost control throughout the year helped us achieve earnings growth in fiscal 2010. We also settled an outstanding tax matter with the Internal Revenue Service (IRS) in the first quarter of fiscal 2010 and recorded gains on corporate-owned life insurance (COLI) policies, both of which positively impacted net earnings and earnings per share. Sysco s fiscal year ends on the Saturday nearest to June 30th. This resulted in a 53-week year ending July 3, 2010 for fiscal 2010 and 52-week years ending June 27, 2009 and June 28, 2008 for fiscal 2009 and 2008, respectively.

Sales increased 1.1% in fiscal 2010 from the comparable prior year period to $37.2 billion primarily due to the additional week included in fiscal 2010 and improving case volumes in the second half of the fiscal year. These were partially offset by deflation, change in sales mix and weak economic conditions and the resulting impact on consumer spending. Deflation, as measured by changes in our product costs, was an estimated 1.5% during fiscal 2010. The exchange rates used to translate our foreign sales into U.S. dollars positively impacted sales by 0.9% and sales from acquisitions within the last 12 months favorably impacted sales by 0.5%.

Operating income increased to $2.0 billion, a 5.5% increase over the prior year, primarily driven by the additional week included in fiscal 2010 and a decrease in operating expenses. Operating expenses declined 0.6% primarily due to reduced fuel costs and a favorable comparison on the amounts recorded to adjust the carrying value of COLI policies to their cash surrender values year-over-year. Partially offsetting these operating expense declines were increases in pay-related expenses and net company-sponsored pension costs.

Net earnings increased to $1.2 billion, an 11.7% increase over the comparable prior year period, primarily due to the factors discussed above including the additional week in fiscal 2010 and a decrease in the effective tax rate. The effective tax rate for fiscal 2010 was favorably impacted by the one-time reversal of a previously accrued liability related to the settlement with the IRS and the non-taxable gains recorded on COLI policies.

Basic and diluted earnings per share in fiscal 2010 were both $1.99, an increase of 12.4% from the comparable prior year period, primarily due to the factors discussed above including the additional week in fiscal 2010. Both basic and diluted earnings per share were favorably impacted by $0.09 per share in fiscal 2010 due to the one-time reversal of a previously accrued liability related to the settlement with the IRS and the gains recorded on the adjustment of the carrying value of COLI policies to their cash surrender values. This compares to a $0.07 per share negative impact to earnings per share in fiscal 2009 from the losses recorded on the adjustment of the carrying value of COLI policies to their cash surrender values.

Overview

Sysco distributes food and related products to restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers. Our operations are primarily located throughout the United States, Canada and Ireland and include broadline companies, specialty produce companies, custom-cut meat operations, hotel supply operations, SYGMA (our chain restaurant distribution subsidiary) and a company that distributes to international customers.

We consider our primary market to be the foodservice market in the United States and Canada and estimate that we served about 17% of this approximately $210 billion annual market. According to industry sources, the foodservice, or food-away-from-home, market represents approximately 47% of the total dollars spent on food purchases made at the consumer level in the United States. This share grew from about 37% in 1972 to nearly 50% in 1998 and did not change materially until 2009 when it declined to the current level of 47%.

Industry sources estimate the total foodservice market in the United States experienced a real sales decline of approximately 5.9% in calendar year 2009 and 3.6% in calendar year 2008. Real sales declines do not include the

impact of inflation or deflation.

General economic conditions and consumer confidence can affect the frequency of purchases and amounts spent by consumers for food-away-from-home and, in turn, can impact our customers and our sales. We believe the current general economic conditions, including pressure on consumer disposable income, have contributed to a decline in the foodservice market. Historically, we have grown at a faster rate than the overall industry and have grown our market share in this fragmented industry.

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Strategy

We continue to invest in our core business to expand our market share and grow earnings. We will continue to use our strategies to leverage our market leadership position to continuously improve how we buy, handle and market products for our customers. These strategies include:

Sales growth: We intend to grow sales by gaining an increased share of products purchased by existing customers, development of new customers, improving customer retention, the use of fold-outs (new operating companies created in established markets previously served by other Sysco operating companies), investment in new technologies, the addition of more marketing associates and a disciplined acquisition program. Our business review program, which is designed to help our customers grow their business, and the size and expertise of our sales force are key factors in maintaining and growing sales. We continue to improve our pricing models to ensure our pricing is market relevant in order to grow sales.

Business Transformation Project: We are developing and implementing an integrated software system to support a majority of our business processes to further streamline our operations and reduce costs. These systems are commonly referred to as Enterprise Resource Planning (ERP) systems. ERP implementations are complex and time-consuming projects that involve substantial investments in system software and implementation activities over a multi-year timeframe. As is the case in most ERP implementations, we expect that the implementation of our ERP system will require transformation of business processes in order to realize the full benefits of the project. We view the technology as an important enabler of this project, however the larger outcome of this project will be from transformed processes that standardize portions of our operations. This will include the addition of a shared business service center to centrally manage certain back-office functions which are currently duplicated at each operating company location.

Productivity Gains: We continue to optimize warehouse and delivery activities across the corporation to achieve a more efficient delivery of products to our customers. In our distribution centers we are focused on improving the speed and accuracy of processing orders by utilizing state-of-the-art software and equipment. We continue to implement and enhance truck routing programs to minimize miles driven and fuel consumed while increasing cases delivered on each truck route.

Lowering Procurement Costs: We intend to lower our cost of goods sold by leveraging Sysco s purchasing power and procurement expertise and capitalizing on an end-to-end view of our supply chain. Our National Supply Chain initiative is focused on inventory levels, inbound freight costs, product costs, operating costs, working capital requirements and future facility expansion needs at our operating companies while providing greater value to our suppliers and customers. A component of our National Supply Chain initiative is the use of redistribution centers (RDCs) which aggregate inventory demand to optimize the supply chain activities for certain products for all Sysco broadline operating companies in a geographic region. We currently have two RDCs located in Virginia and Florida and have made initial investments to build two additional RDCs. We are evaluating the most appropriate timing for the building of these RDCs, balancing both market conditions and the spending on our Business Transformation Project discussed below.

Our primary focus is on growing and optimizing our core foodservice distribution business in North America; however, we will continue to explore and identify opportunities to expand the core business by growth in new international markets and in other areas of business that complement our core foodservice distribution business. As a part of our ongoing strategic analysis, we regularly evaluate business opportunities, including potential acquisitions and sales of assets and businesses.

Business Transformation Project

We have substantially completed the design and build phases of our Business Transformation Project and we are currently testing the underlying ERP system and processes. Implementation is anticipated to begin with the first operating company location in the first half of calendar 2011 and our shared business services center in fiscal 2011. Implementation is anticipated to occur across the majority of our Broadline and SYGMA operating companies by the

end of fiscal 2013. Although we expect the investment in the Business Transformation Project to provide meaningful benefits to the company over the long-term, the costs will exceed the benefits during the early stages of implementation, including fiscal 2011.

We expect total cash outlay for the Business Transformation Project to be approximately $900 million. Approximately $246 million of cash outlay was incurred in fiscal 2010, of which approximately $172 million was capitalized. Approximately $260 million to $300 million of cash outlay is expected in fiscal 2011, of which approximately $160 million to $180 million will be capitalized.

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Results of Operations

The following table sets forth the components of our consolidated results of operations expressed as a percentage of sales for the periods indicated:

	2010 (53 Weeks)	2009	2008
Sales	100.0%	100.0%	100.0%
Cost of sales	80.9	80.9	80.8
Gross margin	19.1	19.1	19.2
Operating expenses	13.8	14.0	14.2
Operating income	5.3	5.1	5.0
Interest expense	0.3	0.3	0.3
Other income, net	0.0	(0.0)	(0.1)
Earnings before income taxes	5.0	4.8	4.8
Income taxes	1.8	1.9	1.8
Net earnings	3.2%	2.9%	3.0%

The following table sets forth the change in the components of our consolidated results of operations expressed as a percentage increase or decrease over the prior year:

	2010 (53 Weeks)	2009
Sales	1.1%	(1.8)%
Cost of sales	1.1	(1.7)
Gross margin	1.0	(2.2)
Operating expenses	(0.6)	(2.8)
Operating income	5.5	(0.4)
Interest expense	7.9	4.3
Other income, net	(105.4)	(34.8)
Earnings before income taxes	4.4	(1.1)
Income taxes	(6.3)	4.3
Net earnings	11.7%	(4.5)%
Basic earnings per share	12.4%	(3.3)%
Diluted earnings per share	12.4	(2.2)
Average shares outstanding	(0.5)	(1.8)
Diluted shares outstanding	(0.4)	(2.4)

Impact of 53-week fiscal year

Sysco s fiscal year ends on the Saturday nearest to June 30th. This resulted in a 53-week year ending July 3, 2010 for fiscal 2010 and 52-week years ending June 27, 2009 and June 28, 2008 for fiscal 2009 and 2008, respectively. Because the fourth quarter of fiscal 2010 contained an additional week as compared to fiscal 2009, our Results of Operations for fiscal 2010 are not directly comparable to the prior year. Management believes that adjusting the fiscal 2010 Results of Operations for the estimated impact of the additional week provides more comparable financial results on a year-over-year basis. As a result, the Results of Operations discussion for fiscal 2010 presented below in certain instances discusses operating items that have been adjusted by one-fourteenth of the total metric for the fourth quarter, except as otherwise noted with respect to adjusted diluted earnings per share. Failure to make these adjustments would cause the year-over-year changes in certain metrics such as sales, operating income, net earnings and diluted earnings per share to be overstated, whereas in certain cases, a metric may actually have declined on a more comparable year-over-year basis. Our Results of Operations discussion includes reconciliations of the actual results for fiscal 2010 to the adjusted results for fiscal 2010 based on a 52-week fiscal year.

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Sales

Sales for fiscal 2010 were 1.1% higher in fiscal 2010 than fiscal 2009, however the additional week contributed approximately 2.0% to the overall sales growth rate for fiscal 2010. Set forth below is a reconciliation of actual sales growth to adjusted sales growth/decline for the periods presented (see further discussion at Impact of 53-week fiscal year above):

	2010 (53 Weeks)	2009
Sales for the 53/52 week periods	$ 37,243,495	$ 36,853,330
Estimated sales for the additional week	739,177	
Adjusted Sales	$ 36,504,318	$ 36,853,330
Actual percentage increase	1.1%	
Adjusted percentage decrease	(0.9)%	

In addition to the extra week in fiscal 2010, improving case volumes increased sales. The changes in the exchange rates used to translate our foreign sales into U.S. dollars positively impacted sales by 0.9% compared to fiscal 2009. Sales from acquisitions within the last 12 months favorably impacted sales by 0.5% for fiscal 2010. Product cost deflation and the resulting decrease in selling prices had a significant impact on sales levels in fiscal 2010. Estimated changes in product costs, an internal measure of deflation or inflation, were estimated as deflation of 1.5% during fiscal 2010. A change in customer sales mix as compared to fiscal 2009 also negatively impacted fiscal 2010 sales. Case volumes increased at a greater rate within our contract based customer group which generally receives lower pricing for higher volume.

Sales for fiscal 2009 were 1.8% less than fiscal 2008. Product cost inflation and the resulting increase in selling prices had a significant impact on sales levels in fiscal 2009. Estimated product cost increases, an internal measure of inflation, were approximately 4.7% during fiscal 2009. The changes in the exchange rates used to translate our foreign sales into U.S. dollars negatively impacted sales by 1.2% compared to fiscal 2008. Non-comparable acquisitions offset the rate of sales decline by 0.2% for fiscal 2009.

Our sequential quarterly sales trend demonstrated a decline throughout most of fiscal 2008, all of fiscal 2009 and into the second quarter of fiscal 2010, ranging from a positive 8.5% in the first quarter of fiscal 2008 to a negative 8.1% in the first quarter of fiscal 2010. Our sales trend turned positive in the third quarter of fiscal 2010 to 2.4% as compared to the third quarter of fiscal 2009, a result largely driven by improving case volumes and favorable foreign exchange rates. This positive trend continued in the fourth quarter of fiscal 2010. We experienced estimated product cost inflation during the four quarters of fiscal 2009 ranging from 0.5% to 8.3%. During fiscal 2010, we experienced estimated product cost deflation of approximately 1.5%. During the four quarters of fiscal 2010, we experienced product cost deflation in the first three quarters of the fiscal year as high as 3.5% and product cost inflation in the fourth quarter of the fiscal year of 2.2%. We believe the weak economic conditions experienced in fiscal 2009 and much of fiscal 2010, which placed pressure on consumer disposable income, are constricting growth in the foodservice market and, in turn, have contributed to reduced sales growth rates. While economic conditions are showing signs of improvement, we believe consumer disposable income will remain under pressure, which could continue to affect sales.

We believe that our continued focus on the use of business reviews and business development activities, commitment to quality, investment in customer contact personnel and the efforts of our marketing associates and sales support personnel are key drivers to strengthening customer relationships and growing sales with new and existing customers. We also believe these activities help our customers in this difficult economic environment.

Operating Income

Cost of sales primarily includes our product costs, net of vendor consideration, and includes in-bound freight. Operating expenses include the costs of facilities, product handling, delivery, selling and general and administrative

activities. Fuel surcharges are reflected within sales and gross margins; fuel costs are reflected within operating expenses.

Operating income increased 5.5% in fiscal 2010 from fiscal 2009 to $2.0 billion, and as a percentage of sales, increased to 5.3% of sales. This increase in operating income was primarily driven by the additional week included in fiscal 2010 and a decrease in operating expenses. Gross margin dollars increased 1.0% in fiscal 2010 as compared to fiscal 2009, while operating expenses decreased 0.6% in fiscal 2010. Set forth below is a reconciliation of actual operating income to adjusted operating income for the periods presented (see further discussion at Impact of 53-week fiscal year above):

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	2010 (53 Weeks)	2009
Operating income for the 53/52 week periods	$ 1,975,868	$ 1,872,211
Estimated operating income for the additional week	41,720	
Adjusted operating income	$ 1,934,148	$ 1,872,211
Actual percentage increase	5.5%	
Adjusted percentage increase	3.3%	

Operating income decreased 0.4% in fiscal 2009 from fiscal 2008 to $1.9 billion, or 5.1% of sales. Operating income declined primarily due to a decline in sales, partially offset by a decline in operating expenses. Gross margin dollars decreased 2.2% in fiscal 2009 as compared to fiscal 2008, and operating expenses decreased 2.8% in fiscal 2009.

Gross margin dollars increased in fiscal 2010 as compared to fiscal 2009 primarily due to the additional week included in fiscal 2010. In addition, gross margins reflected product cost deflation in fiscal 2010 as compared to product cost inflation in fiscal 2009. We may be negatively impacted by prolonged periods of product cost deflation because we make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, our profit levels may be negatively impacted during periods of product cost deflation, even though our gross profit percentage may remain relatively constant. Gross margin dollars for fiscal 2010 were also impacted by lower fuel surcharges. Fuel surcharges were approximately $18.5 million lower in fiscal 2010 than fiscal 2009. Assuming that fuel prices do not significantly rise above recent levels during fiscal 2011, we do not expect fuel surcharges to change significantly in fiscal 2011 as compared to fiscal 2010.

Gross margin dollars for fiscal 2009 and fiscal 2008 were impacted by product cost inflation. Beginning in the fourth quarter of fiscal 2007, Sysco began experiencing high levels of product cost increases in numerous product categories. These increases persisted throughout fiscal 2008 at levels approximating 6.0% and rose even higher to 7.6% in the first 26 weeks of fiscal 2009. The level of product cost increases began moderating during the third quarter of fiscal 2009 and was 0.5% in the fourth quarter of fiscal 2009. Generally, Sysco attempts to pass increased costs to its customers; however, because of contractual and competitive reasons, we are not able to pass along all of the product cost increases immediately. Prolonged periods of high inflation, such as those experienced in fiscal 2009 and fiscal 2008, have a negative impact on our customers, as high food costs and fuel costs can reduce consumer spending in the food-away-from home market. As a result, these factors may negatively impact our sales, gross margins and earnings. Fuel surcharges were approximately $5.0 million higher in fiscal 2009 over fiscal 2008. Usage of these surcharges was greater in the second half of fiscal 2008 and the first half of fiscal 2009, due to sustained, increased market diesel prices during that period.

Operating expenses for fiscal 2010 were lower than in fiscal 2009 primarily due to reduced fuel costs and a favorable comparison on the amounts recorded to adjust the carrying value of COLI policies to their cash surrender values in both periods. Partially offsetting these operating expense declines were increases in pay-related expenses, net company-sponsored pension costs and approximately $99.8 million of expense associated with the additional week included in fiscal 2010.

Operating expenses for fiscal 2009 were lower than in fiscal 2008 primarily due to operating efficiencies and lower payroll expense related to reduced headcount and lower incentive compensation. The positive impact of these expense reductions was partially offset by the combined effect of increased losses on the adjustment of the carrying value of corporate-owned life insurance policies to their cash surrender values and an increase in the provision for losses on receivables. In addition, our fuel costs increased during fiscal 2009 compared to fiscal 2008.

Sysco s fuel costs decreased by $71.8 million in fiscal 2010 over fiscal 2009 primarily due to decreased contracted diesel prices. Our fuel costs increased by $33.2 million in fiscal 2009 over fiscal 2008 primarily due to increased contracted diesel prices. Sysco s costs per gallon decreased 26.1% in fiscal 2010 over fiscal 2009 compared to an

increase of 18.6% in fiscal 2009 over fiscal 2008. Sysco s activities to mitigate fuel costs include reducing miles driven by our trucks through improved routing techniques, improving fleet utilization by adjusting idling time and maximum speeds and using fuel surcharges.

We periodically enter into forward purchase commitments for a portion of our projected monthly diesel fuel requirements. In fiscal 2010, the forward purchase commitments resulted in an estimated $1.5 million of additional fuel costs as the fixed price contracts were higher than market prices for the contracted volumes for a portion of the fiscal year. In fiscal 2009, the forward purchase commitments resulted in an estimated $68.0 million of additional fuel costs as the fixed price contracts were higher than market prices for the contracted volumes. In fiscal 2008, the forward purchase commitments resulted in an estimated $21.0 million of avoided fuel costs as the fixed price contracts were generally lower than market prices for the contracted volumes.

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As of July 3, 2010, we had forward diesel fuel commitments totaling approximately $93 million through September 2011. These contracts will lock in the price of approximately 30% to 35% of our fuel purchase needs for the contracted periods at prices slightly lower than the current market price for diesel. Assuming that fuel prices do not rise significantly over recent levels during fiscal 2011, fuel costs exclusive of any amounts recovered through fuel surcharges, are expected to increase by approximately $10 million to $20 million as compared to fiscal 2010. Our estimate is based upon current, published quarterly market price projections for diesel, the cost committed to in our forward fuel purchase agreements currently in place for fiscal 2011 and estimates of fuel consumption. Actual fuel costs could vary from our estimates if any of these assumptions change, in particular if future fuel prices vary significantly from our current estimates. We continue to evaluate all opportunities to offset potential increases in fuel expense, including the use of fuel surcharges and overall expense management.

We adjust the carrying values of our corporate-owned life insurance policies to their cash surrender values on an ongoing basis. The cash surrender values of these policies are largely based on the values of underlying investments, which include publicly traded securities. As a result, the cash surrender values of these policies will fluctuate with changes in the market value of such securities. The changes in the financial markets resulted in gains for these policies of $21.6 million in fiscal 2010, compared to losses for these policies of $43.8 million in fiscal 2009 and $8.7 million in fiscal 2008. The performance of the financial markets will continue to influence the cash surrender values of our corporate-owned life insurance policies, which could cause volatility in operating income, net earnings and earnings per share.

The provision for losses on receivables included within operating expenses decreased by $39.7 million in fiscal 2010 from fiscal 2009 and increased by $42.5 million in fiscal 2009 over fiscal 2008. The decrease in our provision for losses on receivables in fiscal 2010 reflects fewer customer accounts exceeding our threshold for write-off in fiscal 2010 as compared to fiscal 2009. In fiscal 2009, the economic conditions and related decrease in consumer demand combined with tightening credit markets impacted the liquidity of some of our customers, resulting in an increase in delinquent payments on accounts receivable. The increase in our provision for losses on receivables in fiscal 2009 was related to customer accounts across our customer base without concentration in any specific location. Customer accounts written off, net of recoveries, were $34.3 million, or 0.10% of sales, $71.9 million, or 0.20% of sales, and $32.4 million, or 0.09% of sales, for fiscal 2010, 2009 and 2008, respectively. Our provision for losses on receivables will fluctuate with general market conditions, as well as the circumstances of our customers.

Pay-related expenses, excluding labor costs associated with our Business Transformation Project, increased by $43.9 million in fiscal 2010 from fiscal 2009 and decreased by $199.2 million in fiscal 2009 from fiscal 2008. The fiscal 2010 increase was primarily due to increased provisions for management incentive accruals and cost associated with the additional week included in fiscal 2010. Partially offsetting these increases were lower pay-related expenses due to reduced headcount. The fiscal 2009 decline was due to a combination of reduced headcount and lower incentive compensation. The criteria for paying annual bonuses to our corporate officers and certain portions of operating company management bonuses are tied to overall company performance. In fiscal 2010, the overall company performance criteria for payment of such bonuses was met; therefore, the provision for current management incentive bonuses was higher in fiscal 2010 than in fiscal 2009 when the company assessed it did not meet the criteria for paying certain annual bonuses. In fiscal 2009, the overall company performance criteria for payment of such bonuses were not met; therefore, corporate executive officers did not receive bonuses for fiscal 2009 and operating company management bonuses were at lower levels for fiscal 2009 as compared to fiscal 2008. Headcount declines occurred due to both productivity improvements and workforce reductions commensurate with lower sales. Headcount was 2.2% lower at the end of fiscal 2010 as compared to fiscal 2009 and 5.8% lower at the end of fiscal 2009 as compared to fiscal 2008.

Net company-sponsored pension costs in fiscal 2010 were $37.4 million higher than in fiscal 2009. Net company-sponsored pension costs were $22.9 million higher in fiscal 2009 than in fiscal 2008. The increase in fiscal 2010 was due primarily to lower returns on assets of Sysco s company-sponsored qualified pension plan (Retirement Plan) during fiscal 2009, partially offset by an increase in the discount rates used to calculate our projected benefit obligation and related pension expense for fiscal 2010. The increase in fiscal 2009 was due primarily to lower returns on assets of Sysco s Retirement Plan during fiscal 2008 and the merging of participants from a multi-employer pension

plan to the Retirement Plan, partially offset by a decrease in expense due to an increase in the discount rates used to calculate the plan s liabilities and amendments to our Supplemental Executive Retirement Plan (SERP). Net company-sponsored pension costs in fiscal 2011 are expected to increase by approximately $60.3 million over fiscal 2010 due primarily to a decrease in discount rates used to calculate our projected benefit obligation and related pension expense, partially offset by reduced amortization of expense from actuarial gains from higher returns on assets of Sysco s Retirement Plan during fiscal 2010.

Expenses related to our Business Transformation Project, inclusive of pay-related expense, increased by $41.6 million in fiscal 2010 from fiscal 2009. Our Business Transformation Project began in January 2009; therefore, fiscal 2009 only included six months of activity. Sysco redeployed employees to work on the Business Transformation Project and did not backfill all of these positions; therefore, not all expenses related to this project are incremental from operating expenses incurred by Sysco in the applicable periods in the prior fiscal year. Additionally, certain labor costs, which would have been expensed absent this project, are being capitalized as software costs as a result of this project. We believe the increase in total expense, including all

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pay-related expenses, related to the Business Transformation Project in fiscal 2011 as compared to fiscal 2010 will be approximately $25 million to $45 million.

We recorded provisions related to multi-employer pension plans of $2.9 million in fiscal 2010, $9.6 million in fiscal 2009 and $22.3 million in fiscal 2008. See additional discussion of multi-employer pension plans at Liquidity and Capital Resources, Other Considerations, Multi-Employer Pension Plans.

Share-based compensation expense decreased $24.6 million in fiscal 2009 from fiscal 2008. Contributing to the decrease in fiscal 2009 was reduction in the level of option grants being awarded compared to previous years, resulting in reduced compensation expenses being recognized. Also affecting the decrease in fiscal 2009 was the removal of the previous stock award component from the Management Incentive Plan annual bonus awards beginning with fiscal 2009. As a result, the share-based compensation expense related to the stock award component of the incentive bonuses recorded in previous years was not incurred in fiscal 2009, and overall share-based compensation expense was reduced as compared to fiscal 2008.

Net Earnings

Net earnings increased 11.7% in fiscal 2010 from fiscal 2009 due primarily to the impact of changes in income taxes discussed below, as well as the factors discussed above including the additional week in fiscal 2010. Set forth below is a reconciliation of actual net earnings to adjusted net earnings for the periods presented (see further discussion at Impact of 53-week fiscal year above):

	2010 (53 Weeks)	2009
Net earnings for the 53/52 week periods	$ 1,179,983	$ 1,055,948
Estimated net earnings for the additional week	24,127	
Adjusted net earnings	$ 1,155,856	$ 1,055,948
Actual percentage increase	11.7%	
Adjusted percentage increase	9.5%	

Net earnings declined 4.5% in fiscal 2009 from fiscal 2008 due primarily to the impact of changes in income taxes discussed below, as well as the factors discussed above.

The effective tax rate was 36.20% in fiscal 2010, 40.37% in fiscal 2009 and 38.25% in fiscal 2008.

The effective tax rate of 36.20% for fiscal 2010 was favorably impacted by two items. First, we recorded an income tax benefit of approximately $29.0 million resulting from the one-time reversal of a previously accrued liability related to the settlement with the IRS (See Liquidity and Capital Resources, Other Considerations, BSCC Cooperative Structure for additional discussion). Second, the gain of $21.6 million, which had a tax impact of $8.3 million, recorded to adjust the carrying value of COLI policies to their cash surrender values in fiscal 2010, was non-taxable for income tax purposes and had the impact of decreasing the effective tax rate in the period.

The effective tax rate of 40.37% for fiscal 2009 was negatively impacted primarily by two factors. First, we recorded tax adjustments related to federal and state uncertain tax positions of $31.0 million. Second, the loss of $43.8 million, which had a tax impact of $16.8 million, recorded to adjust the carrying value of COLI policies to their cash surrender values was non-deductible for income tax purposes and had the impact of increasing the effective tax rate for the period. The effective tax rate for fiscal 2009 was favorably impacted by the reversal of valuation allowances of $7.8 million previously recorded on Canadian net operating loss deferred tax assets.

The effective tax rate of 38.25% for fiscal 2008 was favorably impacted by tax benefits of approximately $7.7 million resulting from the recognition of a net operating loss deferred tax asset which arose due to a state tax law change, $8.6 million related to the reversal of valuation allowances previously recorded on Canadian net operating loss deferred tax assets and $5.5 million related to the reduction in net Canadian deferred tax liabilities due to a federal tax rate reduction. The effective tax rate for fiscal 2008 was unfavorably impacted by the recording of tax and interest related to uncertain tax positions, share-based compensation expense and the recognition of losses of $8.7 million,

which had an unfavorable tax impact of $3.3 million, recorded to adjust the carrying value of COLI policies to their cash surrender values.

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Earnings Per Share

Both basic earnings per share and diluted earnings per share increased 12.4% in fiscal 2010 from the prior year. Basic earnings per share and diluted earnings per share decreased 3.3% and 2.2%, respectively, in fiscal 2009 over the prior year. These changes were primarily the result of factors discussed above including the additional week in fiscal 2010, as well as a net reduction in shares outstanding. The net reduction in average shares outstanding was primarily due to share repurchases. The net reduction in diluted shares outstanding was primarily due to share repurchases and an increase in the number of anti-dilutive options excluded from the diluted shares calculation.

Both basic and diluted earnings per share were favorably impacted by $0.09 per share in fiscal 2010 due to the one-time reversal of interest accruals for the tax contingency related to the IRS settlement and the gains recorded on the adjustment of the carrying value of COLI policies to their cash surrender values. This compares to a $0.07 per share negative impact to earnings per share in fiscal 2009 from the losses recorded on the adjustment of the carrying value of COLI policies to their cash surrender values.

Set forth below is a reconciliation of actual diluted earnings per share to adjusted diluted earnings per share for the periods presented (see further discussion at Impact of 53-week fiscal year above):

	2010 (53 Weeks)	2009
Calculation of diluted earnings per share impact for 53rd week:		
Estimated net earnings for the additional week	$ 24,127	
Diluted shares outstanding	593,590,042	
Estimated diluted earnings per share for the additional week	$ 0.04	
Diluted earnings per share for the 53/52 week periods	$ 1.99	$ 1.77
Estimated diluted earnings per share for the additional week	0.04	
Adjusted diluted earnings per share	$ 1.95	$ 1.77
Actual percentage increase	12.4%	
Adjusted percentage increase	10.2%	

As compared to fiscal 2010, increased net company-sponsored pension costs and additional expense from our Business Transformation Project will negatively impact both basic earnings per share and diluted earnings per share in fiscal 2011.

Segment Results

We have aggregated our operating companies into a number of segments, of which only Broadline and SYGMA are reportable segments as defined in accounting provisions related to disclosures about segments of an enterprise. The accounting policies for the segments are the same as those disclosed by Sysco within the Financial Statements and Supplementary Data within Part II Item 8 of this Form 10-K. Intersegment sales generally represent specialty produce and meat company products distributed by the Broadline and SYGMA operating companies. The segment results include certain centrally incurred costs for shared services that are charged to our segments. These centrally incurred costs are charged based upon the relative level of service used by each operating company consistent with how management views the performance of its operating segments.

Management evaluates the performance of each of our operating segments based on its respective operating income results, which include the allocation of certain centrally incurred costs. While a segment s operating income may be impacted in the short term by increases or decreases in margins, expenses, or a combination thereof, over the long-term each business segment is expected to increase its operating income at a greater rate than sales growth. This is consistent with our long-term goal of leveraging earnings growth at a greater rate than sales growth.

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The following table sets forth the operating income of each of our reportable segments and the other segment expressed as a percentage of each segment s sales for each period reported and should be read in conjunction with Note 19, Business Segment Information to the Consolidated Financial Statements in Item 8:

	Operating Income as a Percentage of Sales		
	2010 (53 Weeks)	2009	2008
Broadline	7.0%	6.7%	6.5%
SYGMA	1.0	0.6	0.2
Other	3.9	3.1	3.8

The following table sets forth the change in the selected financial data of each of our reportable segments and the other segment expressed as a percentage increase over the prior year and should be read in conjunction with Note 19, Business Segment Information to the Consolidated Financial Statements in Item 8:

	2010 (53 Weeks)		2009	
	Sales	Operating Income	Sales	Operating Income
Broadline	1.7%	5.9%	(2.0)%	1.5%
SYGMA	1.1	56.7(1)	5.8	265.5(1)
Other	(2.6)	20.8	(9.7)	(25.8)

(1) SYGMA had operating income of $47.3 million in fiscal 2010, $30.2 million in fiscal 2009 and $8.3 million in fiscal 2008.

The following table sets forth sales and operating income of each of our reportable segments, the other segment, and intersegment sales, expressed as a percentage of aggregate segment sales, including intersegment sales, and operating income, respectively. For purposes of this statistical table, operating income of our segments excludes corporate expenses of $269.6 million in fiscal 2010, $219.3 million in fiscal 2009 and $196.7 million in fiscal 2008 that are not charged to our segments. This information should be read in conjunction with Note 19, Business Segment Information to the Consolidated Financial Statements in Item 8:

	2010 (53 Weeks)		2009		2008	
	Sales	Segment Operating Income	Sales	Segment Operating Income	Sales	Segment Operating Income
Broadline	79.9%	92.4%	79.4%	93.7%	79.5%	93.0%
SYGMA	13.1	2.1	13.1	1.4	12.2	0.4
Other	8.5	5.5	8.8	4.9	9.6	6.6
Intersegment sales	(1.5)		(1.3)		(1.3)	

Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Included in corporate expenses, among other items, are:

- Gains and losses recognized to adjust corporate-owned life insurance policies to their cash surrender values;
- Share-based compensation expense;
- Expenses related to the company s Business Transformation Project; and
- Corporate-level depreciation and amortization expense.

Broadline Segment

The Broadline reportable segment consists of the aggregated results of the United States, Canadian and European Broadline segments. Broadline operating companies distribute a full line of food products and a wide variety of non-food products to customers. Broadline operations have significantly higher operating margins than the rest of Sysco s operations. In fiscal 2010, the Broadline operating results represented approximately 80% of Sysco s overall sales and 92% of the aggregate operating income of Sysco s segments, which excludes corporate expenses and consolidated adjustments.

There are several factors which contribute to these higher operating results as compared to the SYGMA and Other operating segments. We have invested substantial amounts in assets, operating methods, technology and management expertise in this segment. The breadth of its sales force, geographic reach of its distribution area and its purchasing power allow us to leverage this segment s earnings.

Sales

Sales for fiscal 2010 were 1.7% greater than fiscal 2009. Case volume improvement caused an increase in sales in fiscal 2010 as compared to fiscal 2009. The changes in the exchange rates used to translate our foreign sales into U.S. dollars positively impacted sales by 1.0% compared to fiscal 2009. Non-comparable acquisitions contributed 0.6% to the overall sales comparison for fiscal 2010. Product cost deflation, which led to decreases in selling prices, and a change in customer sales mix partially offset case volume improvement in fiscal 2010. The additional week also contributed to the sales growth in fiscal 2010.

Sales for fiscal 2009 were 2.0% less than fiscal 2008. Case volume declines attributable to the impact of the negative business environment caused a decline in sales in fiscal 2009 as compared to fiscal 2008. The changes in the exchange rates used to translate our foreign sales into U.S. dollars negatively impacted sales by 1.5% compared to fiscal 2008. Non-comparable acquisitions contributed 0.2% to the overall sales comparison for fiscal 2009. Product cost inflation, which led to increases in selling prices, partially offset case volume declines in fiscal 2009.

Operating Income

The increase in operating income in fiscal 2010 over fiscal 2009 was primarily due to effective management of operations in the current economic environment by decreasing expenses as compared to the comparable prior year periods. Operating expenses decreased 1.4% in fiscal 2010 as compared to fiscal 2009. The additional week in fiscal 2010 contributed to the gross margin increase, partially offset by a decrease of approximately $37.4 million in the fuel surcharges charged to customers in fiscal 2010 as compared to fiscal 2009 due to less usage of these surcharges in fiscal 2010. Expense performance for fiscal 2010 was primarily due to reduced fuel cost and lower provision for losses on receivables and operating efficiencies, such as reduced pay related expense due to reduced headcount. Fuel costs were $50.6 million lower in fiscal 2010 than in the prior year. Partially offsetting these expense declines were increases in expenses related to the additional week in fiscal 2010.

The increase in operating income in fiscal 2009 over fiscal 2008 was primarily due to effective management of operations in the weak economic environment. Effective management was also evidenced by margins declining at a lower rate than our sales decline and by decreasing expenses as compared to the comparable prior year periods. Gross margin dollars decreased 1.7% while operating expenses decreased 3.2% in fiscal 2009 as compared to fiscal 2008. Offsetting the gross margin decline was an increase in fuel surcharges of $9.0 million as a result of increased usage of fuel surcharges in the first half of fiscal 2009 due to sustained increased market diesel prices. Expense performance for fiscal 2009 was aided by lower payroll-related expenses related to reduced headcount and lower incentive compensation and operating efficiencies, partially offset by an increase in the provision for losses on receivables and increased fuel cost. Fuel costs were $28.8 million higher in fiscal 2009 over fiscal 2008.

We attempt to mitigate fuel costs by reducing miles driven, improving fleet consumption by adjusting idling time and maximum speeds and using fuel surcharges. Assuming that fuel prices do not significantly rise above recent levels during fiscal 2011, we expect fuel costs for our Broadline segment to increase by approximately $7 million to $14 million as compared to fiscal 2010 and we do not expect fuel surcharges to change significantly in fiscal 2011 as compared to fiscal 2010.

We recorded provisions related to multi-employer pension plans of $2.9 million in fiscal 2010, $9.6 million in fiscal 2009 and $22.3 million in fiscal 2008.

SYGMA Segment

SYGMA operating companies distribute a full line of food products and a wide variety of non-food products to certain chain restaurant customer locations. SYGMA operations have traditionally had lower operating income as a percentage of sales than Sysco s other segments. This segment of the foodservice industry has generally been characterized by lower overall operating margins as the volume that these customers command allows them to negotiate for reduced margins. These operations service chain restaurants through contractual agreements that are typically structured on a fee per case delivered basis.

Sales

Sales were 1.1% greater in fiscal 2010 than fiscal 2009 and 5.8% greater in fiscal 2009 than in fiscal 2008. The additional week contributed to the sales growth in fiscal 2010. Case volume improvement caused an increase in sales in fiscal 2010 as compared to fiscal 2009. This case growth was largely attributable to new customers added largely in the latter part of the fiscal

year and the additional week in fiscal 2010. Partially offsetting these case volume improvements was a decline in volume from existing customers due to the weak economic environment which applied continued pressure to consumer discretionary spending and negatively impacted overall restaurant traffic counts. Product cost deflation, which led to decreases in selling prices also impacted fiscal 2010 sales growth. In fiscal 2009, sales growth was primarily due to significant contracts with new customers and product cost increases, which led to increases in selling prices. These increases were partially offset by lost sales due to the elimination of unprofitable business and lower case volumes due to difficult economic conditions impacting SYGMA s existing customer base.

One chain restaurant customer (Wendy s/Arby s Group, Inc.) accounted for approximately 33% of the SYGMA segment sales for the fiscal year ended July 3, 2010. SYGMA maintains multiple regional contracts with varied expiration dates with this customer. While the loss of this customer would have a material adverse effect on SYGMA, we do not believe that the loss of this customer would have a material adverse effect on Sysco as a whole.

Operating Income

Operating income increased by $17.1 million in fiscal 2010 as compared to fiscal 2009. Gross margin dollars increased 0.7% while operating expenses decreased 3.7% in fiscal 2010 as compared to fiscal 2009. The additional week in fiscal 2010 contributed to the gross margin increase, partially offset by a decrease of approximately $11.4 million in the fuel surcharges charged to customers in fiscal 2010 compared to fiscal 2009 due to lower fuel prices in fiscal 2010. Expense reductions were accomplished by operational efficiencies in both delivery and warehouse areas, as well as lower payroll expense related to headcount reductions. Also contributing to the decrease in operating expenses was a decrease of $10.1 million in fuel costs in fiscal 2010 from the prior year due to lower fuel prices.

Operating income increased by $21.9 million in fiscal 2009 as compared to fiscal 2008. Gross margin dollars increased 0.4% while operating expenses decreased 5.1% in fiscal 2009 as compared to fiscal 2008. Offsetting the gross margin increase, was a decrease of approximately $5.0 million in the fuel surcharges charged to customers in fiscal 2009 compared to fiscal 2008. Expense reductions were accomplished by operational efficiencies in both delivery and warehouse areas, as well as lower payroll expense related to headcount reductions. Offsetting these expense declines were increased fuel costs of $2.0 million in fiscal 2009 over fiscal 2008.

Assuming that fuel prices do not significantly rise above recent levels during fiscal 2011, we expect fuel costs and fuel surcharges for our SYGMA segment to increase as compared to fiscal 2010.

Other Segment

Other financial information is attributable to our other operating segments, including our specialty produce, custom-cut meat and lodging industry products and a company that distributes to international customers. These operating segments are discussed on an aggregate basis as they do not represent reportable segments under segment accounting literature.

On an aggregate basis, our Other segment has had a lower operating income as a percentage of sales than Sysco s Broadline segment. Sysco has acquired the operating companies within these segments in relatively recent years. These operations generally operate in a niche within the foodservice industry. These operations are also generally smaller in sales and scope than an average Broadline operation and each of these segments is considerably smaller in sales and overall scope than the Broadline segment. In fiscal 2010, in the aggregate, the Other segment represented approximately 8.5% of Sysco s overall sales and 5.5% of the aggregate operating income of Sysco s segments, which excludes corporate expenses and consolidated adjustments.

Operating income increased 20.8% for fiscal 2010 from fiscal 2009. The increase in operating income was caused primarily by increased sales in our specialty produce segment and increased operating income in all segments due to favorable expense management. The additional week in fiscal 2010 also contributed to the increase in operating income.

Operating income decreased 25.8% for fiscal 2009 from fiscal 2008. The decrease in operating income was caused primarily by reduced sales in all segments attributable to the deteriorating economic environment.

Liquidity and Capital Resources

Sysco s strategic objectives require continuing investment, and our resources include cash provided by operations and access to capital from financial markets. Our operations historically have produced significant cash flow. Cash

generated from operations is generally allocated to working capital requirements; investments in facilities, systems, fleet, other equipment and technology; acquisitions compatible with our overall growth strategy; and cash dividends. Any remaining cash generated from operations may be invested in high-quality, short-term instruments or applied toward the cost of the share repurchase program. As a part of our on-going strategic analysis, we regularly evaluate business opportunities, including potential acquisitions and

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sales of assets and businesses, and our overall capital structure. These transactions may materially impact our liquidity, borrowing capacity, leverage ratios and capital availability.

We believe that our cash flows from operations, the availability of additional capital under our existing commercial paper programs and bank lines of credit and our ability to access capital from financial markets in the future, including issuances of debt securities under our shelf registration statement filed with the Securities and Exchange Commission (SEC), will be sufficient to meet our anticipated cash requirements for the next twelve months and beyond, while maintaining sufficient liquidity for normal operating purposes. We have continued to maintain the highest credit rating available for U.S. commercial paper. We believe that we will continue to be able to access the commercial paper market effectively as well as the long-term capital markets, if necessary.

Operating Activities

We generated $0.9 billion in cash flow from operations in fiscal 2010, $1.6 billion in fiscal 2009 and $1.6 billion in fiscal 2008. The decrease of $691.3 million between fiscal 2010 and fiscal 2009 was driven largely by $528.0 million of payments related to the IRS settlement and $140.0 million of pension contributions made in advance for fiscal 2011. Additionally, several less significant items had offsetting impacts when comparing the cash flow from operations between fiscal 2010 and fiscal 2009. As described under Other Considerations, BSCC Cooperative Structure, we will continue to make payments under the IRS settlement in fiscal 2011 and fiscal 2012, in the amount of $212 million per year. If equivalent levels of net earnings are achieved in fiscal 2011, we expect cash flows from operations to increase in fiscal 2011 as compared to fiscal 2010.

Cash flow from operations in fiscal 2010 was primarily due to net income and non-cash depreciation and amortization expense, offset by decreases in accrued income taxes and other long-term liabilities and prepaid pension cost, net, increases in accounts receivable and inventory balances and changes in deferred tax assets and liabilities. Cash flow from operations in fiscal 2009 was primarily due to net income, non-cash depreciation and amortization expense, an increase in accrued income taxes, and increases in accounts receivable and inventory balances. The increases in fiscal 2009 were partially offset by decreases in accounts payable balances and accrued expenses. Cash flow from operations in fiscal 2008 was primarily due to net income, changes in deferred tax assets and liabilities and non-cash depreciation and amortization expense. The increases in fiscal 2008 were reduced by decreases in accrued income taxes and increases in accounts receivable and inventory balances.

The increase in accounts receivable and inventory balances in fiscal 2010 was primarily due to sales growth. The decrease in accounts receivable and inventory balances in fiscal 2009 was primarily due to the sales decline. The increase in accounts receivable and inventory balances in fiscal 2008 was primarily due to sales growth. The increase in accounts payable balances in fiscal 2010 was primarily from the growth in inventory resulting from sales growth. The decrease in accounts payable balances in fiscal 2009 was primarily from inventory decreases resulting from the sales decline. The increase in accounts payable balances in fiscal 2008 was primarily due to inventory increases resulting from sales growth. Accounts payable balances are impacted by many factors, including changes in product mix, cash discount terms and changes in payment terms with vendors.

Cash flow from operations was favorably impacted by an increase in accrued expenses of $58.0 million during fiscal 2010. Cash flow from operations was negatively impacted by decreases in accrued expenses of $120.3 million during fiscal 2009 and $22.7 million during fiscal 2008. The increase in accrued expenses during fiscal 2010 was primarily due to increases in incentive compensation accruals resulting from improved operating performance in fiscal 2010. The remainder of the increase was driven by multiple changes in various other accruals, of which no item was individually significant. The decrease in accrued expenses during fiscal 2009 was primarily due to the payment of prior year annual incentive bonuses, offset by lower accruals for current year incentive bonuses. The decrease in accrued expenses during fiscal 2008 was primarily due to the reversal of a product liability claim which is further explained below. This decrease was partially offset by increased accrued interest due to fixed-rate debt issued in fiscal 2008 and an increase to a provision related to a multi-employer pension plan. See additional discussion of multi-employer pension plans at Other Considerations, Multi-Employer Pension Plans .

In fiscal 2007, we recorded a liability for a product liability claim of $50.3 million within accrued expenses and a corresponding insurance receivable of $48.3 million within prepaid expenses and other current assets. In fiscal 2008, these amounts were reversed as our insurance carrier and other parties paid the full amount of the judgment.

Cash flow from operations for fiscal 2010 was negatively impacted by changes in deferred tax assets and liabilities of $121.9 million and a decrease in accrued income taxes of $296.5 million. The main factor affecting both of these items, as well as cash taxes paid, was the IRS settlement (discussed below in Other Considerations, BSCC Cooperative Structure), which resulted in the payment of taxes of $528.0 million in fiscal 2010 for the settlement agreement as well as higher estimated tax payments for ongoing operations in fiscal 2010. Offsetting the negative impact described above, the change in deferred tax assets and liabilities was impacted by the contribution of an additional $140.0 million to our company-sponsored qualified pension plan in fiscal 2010 for contributions that would normally have been made in fiscal 2011. Cash flow from operations for fiscal 2009 was positively impacted by an increase in accrued income taxes of $325.5 million, partially offset by changes in

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deferred tax assets and liabilities of $294.2 million. Cash flow from operations for fiscal 2008 was positively impacted by changes in deferred tax assets and liabilities of $643.5 million, partially offset by a decrease in accrued income taxes of $509.8 million. Total cash taxes paid were $1,142.0 million, $735.8 million and $530.2 million in fiscal 2010, 2009 and 2008, respectively.

Other long-term liabilities and prepaid pension cost, net, decreased $271.7 million during fiscal 2010, decreased $48.4 million during fiscal 2009 and increased $13.5 million during fiscal 2008. The decrease in fiscal 2010 is primarily attributable to three items. First, pension contributions to our company-sponsored plans exceeded net company-sponsored pension costs. Second, our liability for deferred incentive compensation decreased due to accelerated distributions taken by plan participants of all or a portion of their vested balances pursuant to certain transitional relief under the provisions of Section 409A of the Internal Revenue Code and other regular distributions. Third, our liability for uncertain tax positions decreased as a result of the settlement with the IRS, as well as a reclass to accrued income taxes for amounts expected to be paid in fiscal 2011. The decrease in fiscal 2009 is primarily attributable to a decrease in our liability for uncertain tax benefits related to our settlement with the IRS. See additional discussion of an IRS settlement at Other Considerations, BSCC Cooperative Structure. The decrease was partially offset by a combination of the recording of net company-sponsored pension costs and incentive compensation deferrals. The increase for fiscal 2008 was primarily attributable to a combination of the recording of net company-sponsored pension costs, incentive compensation deferrals and a net increase to our liability for uncertain tax positions, partially offset by pension contributions to our company-sponsored plans. We recorded net company-sponsored pension costs of $126.1 million, $88.7 million and $65.8 million during fiscal 2010, fiscal 2009 and fiscal 2008, respectively. Our contributions to our company-sponsored defined benefit plans were $297.9 million, $95.8 million and $92.7 million during fiscal 2010, fiscal 2009 and fiscal 2008, respectively. We contributed $140.0 million to our company-sponsored qualified pension plan in fiscal 2010 for contributions that would normally have been made in fiscal 2011. Additional contributions to our company-sponsored qualified pension plan are not currently anticipated in fiscal 2011.

Investing Activities

Fiscal 2010 capital expenditures included:

- investments in technology including our Business Transformation Project;
- fleet replacements;
- replacement or significant expansion of facilities in Vancouver, British Columbia, Canada; Winnipeg, Manitoba, Canada; Billings, Montana; Plainfield, New Jersey; Philadelphia, Pennsylvania and Houston, Texas; and
- the purchase of a facility for our future shared services operations in connection with our Business Transformation Project.

Fiscal 2009 capital expenditures included:

- construction of a fold-out facility in Longview, Texas;
- replacement or significant expansion of facilities in Victoria, British Columbia, Canada; Chicago, Illinois; Pittsburgh, Pennsylvania and Houston, Texas;
- land purchases for future fold-out facilities; and
- investments in technology for our Business Transformation Project.

Fiscal 2008 capital expenditures included:

- construction of fold-out facilities in Knoxville, Tennessee and Longview, Texas;

- replacement or significant expansion of facilities in Atlanta, Georgia; Chicago, Illinois; Peterborough, Ontario, Canada and Houston, Texas;
- completion of the Southeast RDC in Alachua, Florida; and
- completion of work on the corporate headquarters expansion.

We expect total capital expenditures in fiscal 2011 to be in the range of $700.0 million to $750.0 million. Fiscal 2011 expenditures will include facility, fleet and other equipment replacements and expansions; new facility construction, including fold-out facilities; and investments in technology including our Business Transformation Project.

During fiscal 2010, in the aggregate, the company paid cash of $29.3 million for operations acquired during fiscal 2010 and for contingent consideration related to operations acquired in previous fiscal years. During fiscal 2010, we acquired for cash a broadline foodservice operation in Syracuse, New York, a produce distributor in Atlanta, Georgia and a seafood distributor in Edmonton, Alberta, Canada.

During fiscal 2009, in the aggregate the company paid cash of $218.1 million for operations acquired during fiscal 2009 and for contingent consideration related to operations acquired in previous fiscal years. During fiscal 2009, we acquired for cash broadline foodservice operations in Ireland, Los Angeles, California and Boston, Massachusetts, as well as a produce distributor in Toronto, Ontario, Canada.

During fiscal 2008, in the aggregate, the company paid cash of $55.3 million for operations acquired during fiscal 2008 and for contingent consideration related to operations acquired in previous fiscal years. During fiscal 2008, we acquired for cash produce distributors in Jacksonville, Florida, and Miami, Florida, a specialty meat company in Vancouver, British Columbia, Canada and a lodging industry supply company in Hong Kong.

Financing Activities

Equity

We traditionally have engaged in Board-approved share repurchase programs. The number of shares acquired and their cost during the past three fiscal years were 6,000,000 shares for $179.2 million in fiscal 2010, 16,951,200 shares for $438.8 million in fiscal 2009 and 16,769,900 shares for $529.2 million in fiscal 2008. An additional 1,230,427 shares were repurchased at a cost of $37.1 million through August 18, 2010, resulting in a remaining authorization by our Board of Directors to repurchase up to 2,156,173 shares, based on the trades made through that date. On August 27, 2010, the Board of Directors approved a new share repurchase program covering an additional 20,000,000 shares. Our current share repurchase strategy is to purchase enough shares to keep our diluted average shares outstanding relatively constant. Based on forecasted share exercises pursuant to our option plans, we expect to repurchase more shares in fiscal 2011 than in fiscal 2010.

Dividends paid were $579.8 million, or $0.98 per share, in fiscal 2010, $548.2 million, or $0.92 per share, in fiscal 2009 and $497.5 million, or $0.82 per share, in fiscal 2008. In May 2010, we declared our regular quarterly dividend for the first quarter of fiscal 2011 of $0.25 per share, which was paid in July 2010.

In November 2000, we filed with the SEC a shelf registration statement covering 30,000,000 shares of common stock to be offered from time to time in connection with acquisitions. As of August 18, 2010, 29,477,835 shares remained available for issuance under this registration statement.

Short-term Borrowings

We have uncommitted bank lines of credit, which provided for unsecured borrowings for working capital of up to $88.0 million, of which none was outstanding as of July 3, 2010 or August 18, 2010.

Our Irish subsidiary, Pallas Foods Limited, has a 10.0 million (Euro) committed facility for unsecured borrowings for working capital. There were no borrowings outstanding under this facility as of July 3, 2010 or August 18, 2010.

Commercial Paper and Revolving Credit Facility

We have a Board-approved commercial paper program allowing us to issue short-term unsecured notes in an aggregate amount not to exceed $1.3 billion.

Sysco and one of our subsidiaries, Sysco International, Co., have a revolving credit facility supporting our U.S. and Canadian commercial paper programs. The facility, in the amount of $1.0 billion, expires on November 4, 2012, but is subject to extension.

During fiscal 2010, 2009 and 2008, aggregate outstanding commercial paper issuances and short-term bank borrowings ranged from approximately zero to $1.8 million, zero to $165.0 million, zero to $1,113.2 million, respectively. There were no commercial paper issuances outstanding as of July 3, 2010 or August 18, 2010.

Fixed Rate Debt

In January 2008, the SEC granted our request to terminate our then existing shelf registration statement that was filed with the SEC in April 2005 for the issuance of debt securities. In February 2008, we filed an automatically effective well-known seasoned issuer shelf registration statement for the issuance of up to $1.0 billion in debt securities with the SEC.

In February 2008, we issued 4.20% senior notes totaling $250.0 million due February 12, 2013 (the 2013 notes) and 5.25% senior notes totaling $500.0 million due February 12, 2018 (the 2018 notes) under our February 2008 shelf registration. The 2013 and 2018 notes, which were priced at 99.835% and 99.310% of par, respectively, are unsecured, are not subject to any sinking fund requirement and include a redemption provision which allows us to retire the notes at any time prior to maturity at the greater of par plus accrued interest or an amount designed to ensure that the note holders are not penalized by the early redemption. Proceeds from the notes were utilized to retire commercial paper issuances outstanding as of February 2008.

In February 2009, Sysco deregistered the securities remaining unsold under its then existing shelf registration statement that was filed with the SEC in February 2008 for the issuance of debt securities. In February 2009, Sysco

filed with the SEC an

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automatically effective well-known seasoned issuer shelf registration statement for the issuance of an indeterminate amount of debt securities that may be issued from time to time.

In March 2009, Sysco issued 5.375% senior notes totaling $250.0 million due March 17, 2019 (the 2019 notes) and 6.625% senior notes totaling $250.0 million due March 17, 2039 (the 2039 notes) under its February 2009 shelf registration. The 2019 and 2039 notes, which were priced at 99.321% and 98.061% of par, respectively, are unsecured, are not subject to any sinking fund requirement and include a redemption provision which allows Sysco to retire the notes at any time prior to maturity at the greater of par plus accrued interest or an amount designed to ensure that the note holders are not penalized by early redemption. Proceeds from the notes will be utilized over a period of time for general corporate purposes, which may include acquisitions, refinancing of debt, working capital, share repurchases and capital expenditures.

In September 2009, we entered into an interest rate swap agreement that effectively converted $200.0 million of fixed rate debt maturing in fiscal 2014 to floating rate debt. In October 2009, we entered into an interest rate swap agreement that effectively converted $250.0 million of fixed rate debt maturing in fiscal 2013 to floating rate debt. Both transactions were entered into with the goal of reducing overall borrowing cost and increasing floating interest rate exposure. These transactions were designated as fair value hedges since the swaps hedge against the changes in fair value of fixed rate debt resulting from changes in interest rates.

Total Debt

Total debt as of July 3, 2010 was $2.5 billion of which approximately 81% was at fixed rates with a weighted average of 5.9% and an average life of 16 years, and the remainder was at floating rates with a weighted average of 2.3%. Certain loan agreements contain typical debt covenants to protect note holders, including provisions to maintain the company s long-term debt to total capital ratio below a specified level. Sysco was in compliance with all debt covenants as of July 3, 2010.

Other

As part of normal business activities, we issue letters of credit through major banking institutions as required by certain vendor and insurance agreements. As of July 3, 2010 and June 27, 2009, letters of credit outstanding were $28.4 million and $74.7 million, respectively.

Other Considerations

Multi-Employer Pension Plans

As discussed in Note 18, Commitments and Contingencies , to the Consolidated Financial Statements in Item 8, we contribute to several multi-employer defined benefit pension plans based on obligations arising under collective bargaining agreements covering union-represented employees.

Under current law regarding multi-employer defined benefit plans, a plan s termination, our voluntary withdrawal or the mass withdrawal of all contributing employers from any underfunded multi-employer defined benefit plan would require us to make payments to the plan for our proportionate share of the multi-employer plan s unfunded vested liabilities. Generally, Sysco does not have the greatest share of liability among the participants in any of these plans. Based on the information available from plan administrators, which has valuation dates ranging from January 31, 2008 to June 30, 2009, we estimate our share of withdrawal liability on most of the multi-employer plans in which we participate could have been as much as $183.0 million as of July 3, 2010 based on a voluntary withdrawal. The majority of the plans we participate in have a valuation date of calendar year-end. As such, the majority of our estimated withdrawal liability results from plans for which the valuation date was December 31, 2008; therefore, our estimated liability reflects the asset losses incurred by the financial markets as of that date. In general, the financial markets improved during calendar year 2009; therefore, we believe our current share of the withdrawal liability could differ from this estimate. In addition, if a multi-employer defined benefit plan fails to satisfy certain minimum funding requirements, the IRS may impose a non-deductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund. As of July 3, 2010, we have approximately $0.9 million in liabilities recorded in total related to certain multi-employer defined benefit plans for which our voluntary withdrawal had already occurred.

Required contributions to multi-employer plans could increase in the future as these plans strive to improve their funding levels. In addition, the Pension Protection Act, enacted in August 2006, requires underfunded pension plans to

improve their funding ratios within prescribed intervals based on the level of their underfunding. We believe that any unforeseen requirements to pay such increased contributions, withdrawal liability and excise taxes would be funded through cash flow from operations, borrowing capacity or a combination of these items.

During fiscal 2008, we obtained information that a multi-employer pension plan we participated in failed to satisfy minimum funding requirements for certain periods and concluded that it was probable that additional funding would be

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required as well as the payment of excise tax. As a result, during fiscal 2008, we recorded a liability of approximately $16.5 million related to our share of the minimum funding requirements and related excise tax for these periods. During the first quarter of fiscal 2009, we effectively withdrew from this multi-employer pension plan in an effort to secure benefits for our employees that were participants in the plan and to manage our exposure to this under-funded plan. We agreed to pay $15.0 million to the plan, which included the minimum funding requirements. In connection with this withdrawal agreement, we merged active participants from this plan into Sysco s company-sponsored Retirement Plan and assumed $26.7 million in liabilities. The payment to the plan was made in the early part of the second quarter of fiscal 2009. If this plan were to undergo a mass withdrawal, as defined by the Pension Benefit Guaranty Corporation, prior to September 2010, we could have additional liability. We do not currently believe a mass withdrawal from this plan prior to September 2010 is probable.

We have experienced other instances triggering voluntary withdrawal from multi-employer pension plans. Total withdrawal liability provisions recorded include $2.9 million in fiscal 2010, $9.6 million in fiscal 2009 and $22.3 million in fiscal 2008.

BSCC Cooperative Structure

Sysco s affiliate, Baugh Supply Chain Cooperative (BSCC), is a cooperative taxed under subchapter T of the United States Internal Revenue Code, the operation of which has resulted in a deferral of tax payments. The IRS, in connection with its audits of our 2003 through 2006 federal income tax returns, proposed adjustments that would have accelerated amounts that we had previously deferred and would have resulted in the payment of interest on those deferred amounts. Sysco reached a settlement with the IRS in the first quarter of fiscal 2010 to cease paying U.S. federal taxes related to BSCC on a deferred basis, pay the amounts that were recorded within deferred taxes related to BSCC over a three-year period and make a one-time payment of $41.0 million, of which approximately $39.0 million is non-deductible. The settlement addresses the BSCC deferred tax issue as it relates to the IRS audit of our 2003 through 2006 federal income tax returns, and settles the matter for all subsequent periods, including the 2007 and 2008 federal income tax returns already under audit. As a result of the settlement, we will pay the amounts owed in the following schedule:

Amounts paid annually:	**(In thousands)**
Fiscal 2010	$ 528,000
Fiscal 2011	212,000
Fiscal 2012	212,000

As noted in the table above, $528.0 million was paid related to settlement in fiscal 2010. Amounts to be paid in fiscal 2011 and 2012 will be paid in connection with our quarterly tax payments, two of which fall in the second quarter, one in the third quarter and one in the fourth quarter. We believe we have access to sufficient cash on hand, cash flows from operations and current access to capital to make payments on all of the amounts noted above.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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Contractual Obligations

The following table sets forth, as of July 3, 2010, certain information concerning our obligations and commitments to make contractual future payments:

	Payments Due by Period				
	Total	< 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Recorded Contractual Obligations:					
Long-term debt	$ 2,441,372	$ 196	$ 453,130	$ 209,493	$ 1,778,553
Capital lease obligations	39,260	7,774	8,906	3,723	18,857
Deferred compensation (1)	93,022	14,271	18,672	11,572	48,507
SERP and other postretirement plans (2)	271,488	22,592	47,692	51,515	149,689
Unrecognized tax benefits and interest (3)	130,445	24,624			
IRS deferred tax settlement (3)	424,000	212,000	212,000		
Unrecorded Contractual Obligations:					
Interest payments related to commercial paper and debt (4)	1,453,115	125,005	237,809	207,957	882,344
Retirement plan (5)	1,035,593		283,287	277,569	474,737
Long-term non-capitalized leases	212,646	48,845	67,412	41,333	55,056
Purchase obligations (6)	1,863,973	1,378,397	358,231	127,345	
Total contractual cash obligations	$ 7,964,914	$ 1,833,704	$ 1,687,139	$ 930,507	$ 3,407,743

(1) The estimate of the timing of future payments under the Executive Deferred Compensation Plan involves the use of certain assumptions, including retirement ages and payout periods.

(2) Includes estimated contributions to the unfunded SERP and other postretirement

benefit plans made in amounts needed to fund benefit payments for vested participants in these plans through fiscal 2020, based on actuarial assumptions.

(3) Unrecognized tax benefits relate to uncertain tax positions recorded under accounting standards related to uncertain tax positions. As of July 3, 2010, we had a liability of $89.9 million for unrecognized tax benefits for all tax jurisdictions and $40.6 million for related interest that could result in cash payment, of which $24.6 million is expected to be paid during fiscal 2011. Sysco reached a settlement with the IRS in the first quarter of fiscal 2010 related to timing of tax payments. Apart from these items, we are not able to reasonably estimate the timing of

non-current payments or the amount by which the liability will increase or decrease over time. Accordingly, the related non-current balances have not been reflected in the "Payments Due by Period" section of the table.

(4) Includes payments on floating rate debt based on rates as of July 3, 2010, assuming amount remains unchanged until maturity, and payments on fixed rate debt based on maturity dates. The impact of our outstanding fixed-to-floating interest rate swaps on the fixed rate debt interest payments is included as well based on the floating rates in effect as of July 3, 2010.

(5) Provides the estimated minimum contribution to the Retirement Plan through fiscal 2020 to

meet ERISA minimum funding requirements under the assumption that we only make minimum funding requirement contributions each year, based on actuarial assumptions.

(6) For purposes of this table, purchase obligations include agreements for purchases of product in the normal course of business, for which all significant terms have been confirmed, including minimum quantities resulting from our sourcing initiative. Such amounts included in the table above are based on estimates. Purchase obligations also includes amounts committed with a third party to provide hardware and hardware hosting services over a ten year period

ending in fiscal 2015 (See discussion under Note 18, Commitments and Contingencies , to the Notes to Consolidated Financial Statements in Item 8), fixed electricity agreements and fixed fuel purchase commitments. Purchase obligations exclude full requirements electricity contracts where no stated minimum purchase volume is required.

Certain acquisitions involve contingent consideration, typically payable only in the event that certain operating results are attained or certain outstanding contingencies are resolved. Aggregate contingent consideration amounts outstanding as of July 3, 2010 included $52.8 million in cash. This amount is not included in the table above.

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Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses in the accompanying financial statements. Significant accounting policies employed by Sysco are presented in the notes to the financial statements.

Critical accounting policies and estimates are those that are most important to the portrayal of our financial condition and results of operations. These policies require our most subjective or complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. We have reviewed with the Audit Committee of the Board of Directors the development and selection of the critical accounting policies and estimates and this related disclosure. Our most critical accounting policies and estimates pertain to the allowance for doubtful accounts receivable, self-insurance programs, company-sponsored pension plans, income taxes, vendor consideration, goodwill and intangible assets and share-based compensation.

Allowance for Doubtful Accounts

We evaluate the collectability of accounts receivable and determine the appropriate reserve for doubtful accounts based on a combination of factors. We utilize specific criteria to determine uncollectible receivables to be written off, including whether a customer has filed for or has been placed in bankruptcy, has had accounts referred to outside parties for collection or has had accounts past due over specified periods. Allowances are recorded for all other receivables based on analysis of historical trends of write-offs and recoveries. In addition, in circumstances where we are aware of a specific customer s inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded to reduce the receivable to the net amount reasonably expected to be collected. Our judgment is required as to the impact of certain of these items and other factors as to ultimate realization of our accounts receivable. If the financial condition of our customers were to deteriorate, as was the case in fiscal 2009, additional allowances may be required.

Self-Insurance Program

We maintain a self-insurance program covering portions of workers compensation, general liability and vehicle liability costs. The amounts in excess of the self-insured levels are fully insured by third party insurers. We also maintain a fully self-insured group medical program. Liabilities associated with these risks are estimated in part by considering historical claims experience, medical cost trends, demographic factors, severity factors and other actuarial assumptions. Projections of future loss expenses are inherently uncertain because of the random nature of insurance claims occurrences and could be significantly affected if future occurrences and claims differ from these assumptions and historical trends. In an attempt to mitigate the risks of workers compensation, vehicle and general liability claims, safety procedures and awareness programs have been implemented.

Company-Sponsored Pension Plans

Amounts related to defined benefit plans recognized in the financial statements are determined on an actuarial basis. Three of the more critical assumptions in the actuarial calculations are the discount rate for determining the current value of plan benefits, the assumption for the rate of increase in future compensation levels and the expected rate of return on plan assets.

For guidance in determining the discount rates, we calculate the implied rate of return on a hypothetical portfolio of high-quality fixed-income investments for which the timing and amount of cash outflows approximates the estimated payouts of the pension plan. The discount rate assumption is reviewed annually and revised as deemed appropriate. The discount rate for determining fiscal 2010 net pension costs for the Retirement Plan, which was determined as of the June 27, 2009 measurement date, increased 108 basis points to 8.02%. The discount rate for determining fiscal 2010 net pension costs for the SERP, which was determined as of the June 27, 2009 measurement date, increased 11 basis points to 7.14%. The combined effect of these discount rate changes decreased our net company-sponsored pension costs for all plans for fiscal 2010 by an estimated $38.6 million. The discount rate for determining fiscal 2011 net pension costs for the Retirement Plan, which was determined as of the July 3, 2010 measurement date, decreased 187 basis points to 6.15%. The discount rate for determining fiscal 2011 net pension costs for the SERP, which was determined as of the July 3, 2010 measurement date, decreased 79 basis points to 6.35%. The combined effect of these discount rate changes will increase our net company-sponsored pension costs for

all plans for fiscal 2011 by an estimated $85.6 million. A 100 basis point increase in the discount rates for fiscal 2011 would decrease Sysco s net company-sponsored pension cost by $50.9 million, while a 100 basis point decrease in the discount rates would increase pension cost by $61.7 million. The impact of a 100 basis point increase in the discount rates differs from the impact of a 100 basis point decrease in discount rates because the liabilities are less sensitive to change at higher discount rates. Therefore, a 100 basis point increase in the discount rate will not generate the same magnitude of change as a 100 basis point decrease in the discount rate.

We look to actual plan experience in determining the rates of increase in compensation levels. We used a plan specific age-related set of rates for the Retirement Plan, which are equivalent to a single rate of 5.30% as of July 3, 2010 and 5.21% as of June 27, 2009. For determining the benefit obligations as of July 3, 2010, the SERP calculations use an age-graded salary

growth assumption. As of June 27, 2009, the SERP calculations use an age-graded salary growth assumption with reductions taken for determining fiscal 2010 pay due to base salary freezes in effect for fiscal 2010.

The expected long-term rate of return on plan assets of the Retirement Plan was 8.00% for fiscal 2010 and fiscal 2009. The expectations of future returns are derived from a mathematical asset model that incorporates assumptions as to the various asset class returns, reflecting a combination of historical performance analysis and the forward-looking views of the financial markets regarding the yield on bonds, historical returns of the major stock markets and returns on alternative investments. Although not determinative of future returns, the effective annual rate of return on plan assets, developed using geometric/compound averaging, was approximately 7.1%, 2.5%, 1.8%, and 19.5%, over the 20-year, 10-year, 5-year and 1-year periods ended December 31, 2009, respectively. In addition, in nine of the last 15 years, the actual return on plan assets has exceeded 10.0%. The rate of return assumption is reviewed annually and revised as deemed appropriate.

The expected return on plan assets impacts the recorded amount of net pension costs. The expected long-term rate of return on plan assets of the Retirement Plan is 8.00% for fiscal 2011. A 100 basis point increase (decrease) in the assumed rate of return for fiscal 2011 would decrease (increase) Sysco s net company-sponsored pension costs for fiscal 2011 by approximately $16.5 million.

Pension accounting standards require the recognition of the funded status of our defined benefit plans in the statement of financial position, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The amount reflected in accumulated other comprehensive loss related to the recognition of the funded status of our defined benefit plans as of July 3, 2010 was a charge, net of tax, of $598.8 million. The amount reflected in accumulated other comprehensive loss related to the recognition of the funded status of our defined benefit plans as of June 27, 2009 was a charge, net of tax, of $346.1 million.

Changes in the assumptions, including changes to the discount rate discussed above, together with the normal growth of the plans, the impact of actuarial losses from prior periods and the timing and amount of contributions, increased net company-sponsored pension costs by approximately $37.4 million in fiscal 2010. Changes in the assumptions, including changes to the discount rate discussed above, together with the normal growth of the plans, the impact of actuarial losses from prior periods and the timing and amount of contributions are expected to increase net company-sponsored pension costs in fiscal 2011 by approximately $60.3 million.

We made cash contributions to our company-sponsored pension plans of $297.9 million and $95.8 million in fiscal years 2010 and 2009, respectively. The contributions in fiscal 2010 of $280.0 million to the Retirement Plan included the minimum required contribution for the calendar 2009 plan year to meet ERISA minimum funding requirements. The contributions in fiscal 2009 of $80.0 million to the Retirement Plan were voluntary contributions. We do not have a minimum required contribution to the Retirement Plan for the calendar 2010 plan year to meet ERISA minimum funding requirements. We contributed $140.0 million to the Retirement Plan in fiscal 2010 for contributions that would normally have been made in fiscal 2011. Additional contributions to the Retirement Plan are not currently anticipated in fiscal 2011. The estimated fiscal 2011 contributions to fund benefit payments for the SERP plan is approximately $22.2 million.

Income Taxes

The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our provision for income taxes primarily reflects a combination of income earned and taxed in the various U.S. federal and state, as well as foreign jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for unrecognized tax benefits or valuation allowances, and our change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

Our liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions. We believe that the judgments and estimates discussed herein are reasonable; however, actual results could differ, and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which a liability has been established, or pay amounts in excess of recorded liabilities, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement generally would require use of our cash

and may result in an increase in our effective income tax rate in the period of resolution. A favorable tax settlement may be recognized as a reduction in our effective income tax rate in the period of resolution.

Vendor Consideration

We recognize consideration received from vendors when the services performed in connection with the monies received are completed and when the related product has been sold by Sysco. There are several types of cash consideration received from vendors. In many instances, the vendor consideration is in the form of a specified amount per case or per pound. In these instances, we will recognize the vendor consideration as a reduction of cost of sales when the product is sold. In some instances, vendor consideration is received upon receipt of inventory in our distribution facilities. We estimate the amount needed to reduce our inventory based on inventory turns until the product is sold. Our inventory turnover is usually less than one month; therefore, amounts deferred against inventory do not require long-term estimation. In the situations where the vendor consideration is not related directly to specific product purchases, we will recognize these as a reduction of cost of sales when the earnings process is complete, the related service is performed and the amounts realized. Historically, adjustments to our estimates related to vendor consideration have not been significant.

Goodwill and Intangible Assets

Goodwill and intangible assets represent the excess of consideration paid over the fair value of tangible net assets acquired. Certain assumptions and estimates are employed in determining the fair value of assets acquired, including goodwill and other intangible assets, as well as determining the allocation of goodwill to the appropriate reporting unit.

In addition, annually or more frequently as needed, we assess the recoverability of goodwill and indefinite-lived intangibles by determining whether the fair values of the applicable reporting units exceed the carrying values of these assets. The reporting units used in assessing goodwill impairment are our eight operating segments as described in Note 19, Business Segment Information, to the Consolidated Financial Statements in Item 8. The components within each of our eight operating segments have similar economic characteristics and therefore are aggregated into eight reporting units.

We arrive at our estimates of fair value using a combination of discounted cash flow and earnings multiple models. The results from each of these models are then weighted and combined into a single estimate of fair value for each of our eight operating segments. The primary assumptions used in these various models include estimated earnings multiples of comparable acquisitions in the industry including control premiums, earnings multiples on acquisitions completed by Sysco in the past, future cash flow estimates of the reporting units, which are dependent on internal forecasts and projected growth rates, and weighted average cost of capital, along with working capital and capital expenditure requirements. When possible, we use observable market inputs in our models to arrive at the fair values of our reporting units. We update our projections used in our discounted cash flow model based on historical performance and changing business conditions for each of our reporting units.

Actual results could differ from these assumptions and projections, resulting in the company revising its assumptions and, if required, recognizing an impairment loss. There were no impairments of goodwill or indefinite-lived intangibles recorded as a result of assessment in fiscal 2010, 2009 and 2008. Our past estimates of fair value for fiscal 2010, 2009 and 2008 have not been materially different when revised to include subsequent years actual results. Sysco has not made any material changes in its impairment assessment methodology during the past three fiscal years. We do not believe the estimates used in the analysis are reasonably likely to change materially in the future but we will continue to assess the estimates in the future based on the expectations of the reporting units. In the fiscal 2010 analysis, we would have performed additional analysis to determine if an impairment existed for our lodging industry products reporting unit if the estimated fair value for this reporting unit had been 20% lower. For the remainder of our reporting units, we would have performed additional analysis to determine if an impairment existed for a reporting unit if the estimated fair value for any of these reporting units had declined by greater than 40%.

The reporting units aggregated as Other in the financial statement disclosures (specialty produce, custom-cut meat, lodging industry products and international distribution operations) have a greater proportion of goodwill recorded to estimated fair value as compared to the Broadline or SYGMA reporting units. This is primarily due to these businesses having been recently acquired, and as a result there has been less history of organic growth than in the Broadline and SYGMA reporting units. In addition, these businesses also have lower levels of cash flow than the Broadline reporting units. As such, these Other reporting units have a greater risk of future impairment if their

operations were to suffer a significant downturn.

Share-Based Compensation

We provide compensation benefits to employees and non-employee directors under several share-based payment arrangements including various employee stock incentive plans, the Employees Stock Purchase Plan, the Management Incentive Plan and various non-employee director plans.

As of July 3, 2010, there was $66.2 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.76 years.

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The fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model. Expected volatility is based on historical volatility of Sysco s stock, implied volatilities from traded options on Sysco s stock and other factors. We utilize historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Expected dividend yield is estimated based on the historical pattern of dividends and the average stock price for the year preceding the option grant. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of each restricted stock unit award granted with a dividend equivalent is based on the company s stock price as of the date of grant. For restricted stock units granted without dividend equivalents, the fair value is reduced by the present value of expected dividends during the vesting period.

The fair value of the stock issued under the Employee Stock Purchase Plan is calculated as the difference between the stock price and the employee purchase price.

The fair value of restricted stock granted to employees is based on the stock price on grant date. The application of a discount to the fair value of a restricted stock grant is dependent upon whether or not each individual grant contains a post-vesting restriction. The fair value of the stock issued under the Management Incentive Plans with respect to years prior to fiscal 2009 was based on the stock price on the last day of the fiscal year less a 12% discount for post-vesting restrictions. The discount for post-vesting restrictions was estimated based on restricted stock studies and by calculating the cost of a hypothetical protective put option over the restriction period. The stock award component of the Management Incentive Plan bonus awards was removed beginning in fiscal 2009.

The compensation cost related to these share-based awards is recognized over the requisite service period. The requisite service period is generally the period during which an employee is required to provide service in exchange for the award.

The compensation cost related to stock issuances resulting from awards under the Management Incentive Plan through fiscal 2008 was accrued over the fiscal year to which the incentive bonus related. The compensation cost related to stock issuances resulting from employee purchases of stock under the Employees Stock Purchase Plan is recognized during the quarter in which the employee payroll withholdings are made.

Certain of our option awards are generally subject to graded vesting over a service period. In those cases, we will recognize compensation cost on a straight-line basis over the requisite service period for the entire award. In other cases, certain of our option awards provide for graded vesting over a service period but include a performance-based provision allowing for the vesting to accelerate. In these cases, if it is probable that the performance condition will be met, we recognize compensation cost on a straight-line basis over the shorter performance period; otherwise, we recognize compensation cost over the probable longer service period.

In addition, certain of our share-based awards provide that if the award holder retires at certain age and years of service thresholds, the options continue to vest as if the award holder continued to be an employee or director. In these cases, for awards granted prior to July 2, 2005 (our adoption date for the fair value recognition provisions in current stock compensation accounting standards), we will recognize the compensation cost for such awards over the remaining service period and accelerate any remaining unrecognized compensation cost when the employee retires. For awards granted subsequent to July 3, 2005, we will recognize compensation cost for such awards over the period from the date of grant to the date the employee first becomes eligible to retire with his options continuing to vest after retirement.

Our option grants include options that qualify as incentive stock options for income tax purposes. In the period the compensation cost related to incentive stock options is recorded, a corresponding tax benefit is not recorded as it is assumed that we will not receive a tax deduction related to such incentive stock options. We may be eligible for tax deductions in subsequent periods to the extent that there is a disqualifying disposition of the incentive stock option. In such cases, we would record a tax benefit related to the tax deduction in an amount not to exceed the corresponding cumulative compensation cost recorded in the financial statements on the particular options multiplied by the statutory tax rate.

Forward-Looking Statements

Certain statements made herein that look forward in time or express management s expectations or beliefs with respect to the occurrence of future events are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They include statements about Sysco s ability to increase its sales and market share and grow earnings, the continuing impact of economic conditions on consumer confidence and our business, sales and expense trends, anticipated multi-employer pension related liabilities and contributions to various multi-employer pension plans, expectations regarding potential payments of unrecognized tax benefits and interest, expectations regarding share repurchases, expected trends in fuel pricing, usage costs and surcharges, our expectation regarding the provision for losses on accounts receivable, our intention to lower our cost of goods sold by leveraging our purchasing power and procurement expertise and capitalizing on an end-to-end view of our

supply chain, expected implementation, costs and benefits of the ERP system, our plan to continue to explore and identify opportunities to grow in international markets and complimentary lines of business, the impact of ongoing legal proceedings, the loss of SYGMA s largest customer not having a material adverse effect on Sysco as a whole, compliance with laws and government regulations not having a material effect on our capital expenditures, earnings or competitive position, anticipated acquisitions and capital expenditures and the sources of financing for them, continued competitive advantages and positive results from strategic initiatives, anticipated company-sponsored pension plan liabilities, our expectations regarding cash flow from operations, the availability and adequacy of insurance to cover liabilities, the impact of future adoption of accounting pronouncements, predictions regarding the impact of changes in estimates used in impairment analyses, the anticipated impact of changes in foreign currency exchange rates and Sysco s ability to meet future cash requirements and remain profitable.

These statements are based on management s current expectations and estimates; actual results may differ materially due in part to the risk factors discussed at Item 1.A. above and elsewhere. In addition, the success of Sysco s strategic initiatives could be affected by conditions in the economy and the industry and internal factors such as the ability to control expenses, including fuel costs. Expected trends related to fuel costs and usage are impacted by fluctuations in the economy generally and numerous factors affecting the oil industry that are beyond our control. Our efforts to lower our cost of goods sold may be impacted by factors beyond our control, including actions by our competitors and/or customers. As implementation of the ERP system and the Business Transformation Project begins, there may be changes in design or timing that impact near-term expense and cause us to revise the project calendar and budget, and additional hiring and training of employees and consultants may be required, which could also impact project expense and timing. Company-sponsored pension plan liabilities are impacted by a number of factors including the discount rate for determining the current value of plan benefits, the assumption for the rate of increase in future compensation levels and the expected rate of return on plan assets. The amount of shares repurchased in a given period is subject to a number of factors, including available cash and our general working capital needs at the time. Our plans with respect to growth in international markets and complimentary lines of business are subject to the company s other strategic initiatives and plans and economic conditions generally. Legal proceedings are impacted by events, circumstances and individuals beyond the control of Sysco. The need for additional borrowing or other capital is impacted by factors that include capital expenditures or acquisitions in excess of those currently anticipated, stock repurchases at historical levels, or other unexpected cash requirements. Predictions regarding the future adoption of accounting pronouncements involve estimates without the benefit of precedent, and if our estimates turn out to be materially incorrect, our assessment of the impact of the pronouncement could prove incorrect, as well. The anticipated impact of compliance with laws and regulations also involves the risk that estimates may turn out to be materially incorrect, and laws and regulations, as well as methods of enforcement, are subject to change.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

We do not utilize financial instruments for trading purposes. Our use of debt directly exposes us to interest rate risk. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes us to changes in market interest rates reflected in the fair value of the debt and to the risk that we may need to refinance maturing debt with new debt at higher rates.

We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate swaps as a tool to achieve that position. The major risks from interest rate derivatives include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions.

Fiscal 2010

As of July 3, 2010, we had no commercial paper outstanding. Our long-term debt obligations as of July 3, 2010 were $2.5 billion, of which approximately 81% were at fixed rates of interest, including the impact of our interest rate swap agreements.

In September 2009, we entered into an interest rate swap agreement that effectively converted $200.0 million of fixed rate debt maturing in fiscal 2014 to floating rate debt (2014 swap). In October 2009, we entered into an interest

rate swap agreement that effectively converted $250.0 million of fixed rate debt maturing in fiscal 2013 to floating rate debt (2013 swap). Both transactions were entered into with the goal of reducing overall borrowing cost and increasing floating interest rate exposure. The major risks from interest rate derivatives include changes in interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. These transactions were designated as fair value hedges since the swaps hedge against the changes in fair value of fixed rate debt resulting from changes in interest rates.

As of July 3, 2010, the 2014 swap was recognized as an asset within the consolidated balance sheet at fair value within other assets of $5.5 million. The fixed interest rate on the hedged debt is 4.6% and the floating interest rate on the swap is three-month LIBOR which resets quarterly. As of July 3, 2010, the 2013 swap was recognized as an asset within the

consolidated balance sheet at fair value within other assets of $5.5 million. The fixed interest rate on the hedged debt is 4.2% and the floating interest rate on the swap is three-month LIBOR which resets quarterly.

The following tables present our interest rate position as of July 3, 2010. All amounts are stated in U.S. dollar equivalents.

Interest Rate Position as of July 3, 2010
Principal Amount by Expected Maturity
Average Interest Rate

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
				(In thousands)				
U.S. $ Denominated:								
Fixed Rate Debt	$6,250	$204,658	$ 2,471	$ 1,275	$ 552	$1,766,234	$1,981,440	$2,262,961
Average Interest Rate	4.5%	6.1%	4.7%	4.0%	3.5%	5.8%	5.9%	
Floating Rate Debt [1]	$	$	$252,801	$208,249	$1,100	$ 12,500	$ 474,650	$ 483,872
Average Interest Rate			2.5%	2.2%	0.3%	0.6%	2.3%	
Canadian $ Denominated:								
Fixed Rate Debt	$ 894	$ 957	$ 944	$ 979	$1,061	$ 18,676	$ 23,511	$ 26,851
Average Interest Rate	7.6%	8.0%	8.8%	9.1%	9.2%	9.8%	9.5%	
Euro Denominated:								
Fixed Rate Debt	$ 826	$ 205	$	$	$	$	$ 1,031	$ 1,177
Average Interest Rate	8.9%	8.9%	0.0%	0.0%			8.9%	

[1] Includes fixed rate debt that has been converted to floating rate debt through interest rate swap agreements.

Interest Rate Position as of July 3, 2010
Notional Amount by Expected Maturity
Average Interest Swap Rate

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
				(In thousands)				

Interest Rate Swaps Related To Debt:								
Pay Variable/Receive Fixed	$	$	$250,000	$200,000	$	$	$450,000	$11,045
Average Variable Rate Paid:								
Rate A Plus	0.0%	0.0%	2.1%	2.1%	0.0%	0.0%	0.0%	
Fixed Rate Received	0.0%	0.0%	4.2%	4.6%	0.0%	0.0%	0.0%	

Rate A three-month LIBOR

Fiscal 2009

As of June 27, 2009, we had no commercial paper outstanding. Our long-term debt obligations as of June 27, 2009 were $2.5 billion, of which approximately 99% were at fixed rates of interest. We had no interest rate swaps outstanding as of June 27, 2009.

The following table presents our interest rate position as of June 27, 2009. All amounts are stated in U.S. dollar equivalents.

Interest Rate Position as of June 27, 2009
Principal Amount by Expected Maturity
Average Interest Rate

	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value
				(In thousands)				
U.S. $ Denominated:								
Fixed Rate Debt	$6,311	$5,073	$203,428	$251,583	$206,097	$1,765,629	$2,438,121	$2,509,602
Average Interest Rate	4.3%	4.5%	6.1%	4.3%	4.1%	5.8%	5.5%	
Floating Rate Debt	$	$	$	$	$	$ 13,600	$ 13,600	$ 13,600
Average Interest Rate						1.3%	1.2%	
Canadian $ Denominated:								
Fixed Rate Debt	$ 659	$ 652	$ 738	$ 731	$ 790	$ 18,020	$ 21,590	$ 22,223
Average Interest Rate	8.1%	8.4%	8.6%	9.6%	9.8%	9.8%	9.7%	
Euro Denominated:								
Fixed Rate Debt	$2,193	$ 921	$ 224	$	$	$	$ 3,338	$ 3,436
Average Interest Rate	7.7%	7.7%	7.7%				7.7%	

Foreign Currency Exchange Rate Risk

The majority of our foreign subsidiaries use their local currency as their functional currency. To the extent that business transactions are not denominated in a foreign subsidiary s functional currency, we are exposed to foreign currency exchange rate risk. We will also incur gains and losses within our shareholders equity due to the translation of our financial statements from foreign currencies into U.S. dollars. Our income statement trends may be impacted by the translation of the income statements of our foreign subsidiaries into U.S. dollars. The changes in the exchange rates used to translate our foreign sales into U.S. dollars positively impacted sales by 0.9% in fiscal 2010 compared to fiscal 2009 and negatively impacted sales by 1.2% in fiscal 2009 compared to fiscal 2008. The impact to our operating income, net earnings and earnings per share was not material in fiscal 2010 and fiscal 2009. A 10% unfavorable change in the fiscal 2010 weighted year-to-date exchange rate and the resulting impact on our financial statements would have negatively impacted fiscal 2010 sales by 0.2% and would not have materially impacted our operating income, net earnings and earnings per share. We do not routinely enter into material agreements to hedge foreign currency exchange rate risks.

Our Canadian financing subsidiary has the U.S. dollar as its functional currency and has notes denominated in U.S. dollars. We have the potential to create taxable income in Canada when this debt is paid due to changes in the exchange rate from the inception of the debt through the payment date. A 10% unfavorable change in the fiscal 2010 year-end exchange rate and the resulting increase in the tax liability associated with these notes would not have a material impact on our results of operations.

Fuel Price Risk

Due to the nature of our distribution business, we are exposed to potential volatility in fuel prices. The price and availability of diesel fuel fluctuates due to changes in production, seasonality and other market factors generally outside of our control. Increased fuel costs may have a negative impact on our results of operations in three areas. First, the high cost of fuel can negatively impact consumer confidence and discretionary spending and thus reduce the frequency and amount spent by consumers for food-away-from-home purchases. Second, the high cost of fuel can increase the price we pay for product purchases and we may not be able to pass these costs fully to our customers. Third, increased fuel costs impact the costs we incur to deliver product to our customers. During fiscal 2010, 2009 and 2008, fuel costs related to outbound deliveries represented approximately 0.6%, 0.8% and 0.7% of sales, respectively. Fuel costs, excluding any amounts recovered through fuel surcharges, incurred by Sysco decreased by approximately $71.8 million in fiscal 2010 from fiscal 2009 and increased by $33.2 million in fiscal 2009 over fiscal 2008.

From time to time, we will enter into forward purchase commitments for a portion of our projected monthly diesel fuel requirements. As of July 3, 2010, we had forward diesel fuel commitments totaling approximately $93.0 million through September 2011. These contracts will lock in the price of approximately 30% to 35% of our fuel purchase needs for the contracted periods at prices slightly lower than the current market price for diesel.

Fuel costs in fiscal 2011, exclusive of any amounts recovered through fuel surcharges, are expected to increase by approximately $10 million to $20 million as compared to fiscal 2010. Our estimate is based upon current, published quarterly market price projections for diesel, the cost committed to in our forward fuel purchase agreements currently in place for fiscal 2011 and estimates of fuel consumption. Actual fuel costs could vary from our estimates if any of these assumptions change, in particular if future fuel prices vary significantly from our current estimates. A 10% unfavorable change in diesel prices from the market price used in our estimates above would change the range of potential increase to $25 million to $35 million.

Investment Risk

Sysco invests in corporate-owned life insurance policies in order to fund certain retirement programs which are subject to market risk. The value of our investments in corporate-owned life insurance policies is largely based on the values of underlying investments, which include publicly traded securities. Therefore, the value of these policies will be adjusted each period based on the performance of the underlying securities which could result in volatility in our earnings. Should the financial markets decline, we would take charges to adjust the carrying value of our corporate-owned life insurance, and if the market declines are significant, these charges could reasonably be expected to have a material adverse impact on our operating expenses, net income and earnings per share. A 10% unfavorable change in publicly traded securities held within our investments in corporate-owned life insurance would not have a

material impact on our operating expenses, net income and earnings per share.

Our company-sponsored qualified pension plan (Retirement Plan) holds investments in both equity and fixed income securities. The amount of our annual contribution to the plan is dependent upon, among other things, the return on the plan s assets and discount rates used to calculate the plan s liability. Fluctuations in asset values can cause the amount of our anticipated future contributions to the plan to increase and pension expense to increase and can result in a reduction to shareholders equity on our balance sheet as of fiscal year-end, which is when this plan s funded status is measured. Also, the projected liability of the plan will be impacted by the fluctuations of interest rates on high quality bonds in the public markets. Specifically, decreases in these interest rates may have a material impact on our results of operations. To the extent the

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financial markets experience declines, our anticipated future contributions, pension expense and funded status will be affected for future years. A 10% unfavorable change in the value of the investments held by our company-sponsored Retirement Plan at the plan s fiscal year end (December 31, 2009) would not have a material impact on our anticipated future contributions for fiscal 2011; however, this unfavorable change would increase our pension expense for fiscal 2011 by $31.6 million and would reduce our shareholders equity on our balance sheet as of July 3, 2010 by $102.7 million.

Item 8. ***Financial Statements and Supplementary Data***

SYSCO CORPORATION AND SUBSIDIARIES
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All schedules are omitted because they are not applicable or the information is set forth in the consolidated financial statements or notes thereto.

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REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Sysco Corporation (Sysco) is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Sysco s internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Sysco s management assessed the effectiveness of Sysco s internal control over financial reporting as of July 3, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework.* Based on this assessment, management concluded that, as of July 3, 2010, Sysco s internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP has issued an audit report on the effectiveness of Sysco s internal control over financial reporting as of July 3, 2010.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders
Sysco Corporation

We have audited Sysco Corporation (a Delaware Corporation) and its subsidiaries (the Company) internal control over financial reporting as of July 3, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Sysco Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sysco Corporation and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of July 3, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of July 3, 2010 and June 27, 2009 and the related consolidated results of operations, shareholders equity and cash flows for each of the three years in the period ended July 3, 2010 of Sysco Corporation and subsidiaries and our report dated August 31, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Houston, Texas
August 31, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Shareholders
Sysco Corporation

We have audited the accompanying consolidated balance sheets of Sysco Corporation (a Delaware Corporation) and subsidiaries (the Company) as of July 3, 2010 and June 27, 2009, and the related consolidated results of operations, shareholders equity, and cash flows for each of the three years in the period ended July 3, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at July 3, 2010 and June 27, 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 3, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 16 to the consolidated financial statements, the Company adopted the recognition and disclosure provisions, effective July 1, 2007, of the Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes , (codified in FASB ASC Topic 740, Income Taxes).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sysco Corporation and its subsidiaries internal control over financial reporting as of July 3, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 31, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Houston, Texas
August 31, 2010

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SYSCO
CONSOLIDATED BALANCE SHEETS

	July 3, 2010	June 27, 2009
	(In thousands except for share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 585,443	$ 1,018,651
Short-term investments	23,511	
Accounts and notes receivable, less allowances of $36,573 and $36,078	2,617,352	2,468,511
Inventories	1,771,539	1,650,666
Prepaid expenses and other current assets	70,992	64,418
Prepaid income taxes	7,421	
Total current assets	5,076,258	5,202,246
Plant and equipment at cost, less depreciation	3,203,823	2,979,200
Other assets		
Goodwill	1,549,815	1,510,795
Intangibles, less amortization	106,398	121,089
Restricted cash	124,488	93,858
Prepaid pension cost		26,746
Other assets	252,919	214,252
Total other assets	2,033,620	1,966,740
Total assets	$ 10,313,701	$ 10,148,186
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 1,953,092	$ 1,788,454
Accrued expenses	870,114	797,756
Accrued income taxes		323,983
Deferred income taxes	178,022	162,365
Current maturities of long-term debt	7,970	9,163
Total current liabilities	3,009,198	3,081,721
Other liabilities		
Long-term debt	2,472,662	2,467,486
Deferred income taxes	271,512	526,377
Other long-term liabilities	732,803	622,900
Total other liabilities	3,476,977	3,616,763
Commitments and contingencies		
Shareholders equity		
Preferred stock, par value $1 per share		
Authorized 1,500,000 shares, issued none		
Common stock, par value $1 per share		

Authorized 2,000,000,000 shares, issued 765,174,900 shares	765,175	765,175
Paid-in capital	816,833	760,352
Retained earnings	7,134,139	6,539,890
Accumulated other comprehensive loss	(480,251)	(277,986)
Treasury stock, 176,768,795 and 175,148,403 shares, at cost	(4,408,370)	(4,337,729)
Total shareholders equity	3,827,526	3,449,702
Total liabilities and shareholders equity	$ 10,313,701	$ 10,148,186

See Notes to Consolidated Financial Statements

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SYSCO
CONSOLIDATED RESULTS OF OPERATIONS

	Year Ended		
	July 3, 2010 (53 Weeks)	June 27, 2009	June 28, 2008
	(In thousands except for share and per share data)		
Sales	$ 37,243,495	$ 36,853,330	$ 37,522,111
Cost of sales	30,136,009	29,816,999	30,327,254
Gross margin	7,107,486	7,036,331	7,194,857
Operating expenses	5,131,618	5,164,120	5,314,908
Operating income	1,975,868	1,872,211	1,879,949
Interest expense	125,477	116,322	111,541
Other expense (income), net	802	(14,945)	(22,930)
Earnings before income taxes	1,849,589	1,770,834	1,791,338
Income taxes	669,606	714,886	685,187
Net earnings	$ 1,179,983	$ 1,055,948	$ 1,106,151
Net earnings:			
Basic earnings per share	$ 1.99	$ 1.77	$ 1.83
Diluted earnings per share	1.99	1.77	1.81
Average shares outstanding	592,157,221	595,127,577	605,905,545
Diluted shares outstanding	593,590,042	596,069,204	610,970,783
Dividends declared per common share	$ 0.99	$ 0.94	$ 0.85

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SYSCO
CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

	Common Stock				Accumulated Other	Treasury Stock		
			Paid-in	Retained	Comprehensive			
	Shares	Amount	Capital	Earnings	Loss	Shares	Amounts	Totals
	(In thousands except for share data)							
Balance as of June 30, 2007	765,174,900	$ 765,175	$ 637,154	$ 5,544,078	$ (4,061)	153,334,523	$ 3,663,946	$ 3,278,400
Net earnings				1,106,151				1,106,151
Foreign currency translation adjustment					30,514			30,514
Amortization of cash flow hedge, net of tax					427			427
Reclassification of pension and other postretirement benefit plans amounts to net earnings, net of tax					5,873			5,873
Pension funded status adjustment, net of tax					(124,301)			(124,301)
Comprehensive income								1,018,664
Dividends declared				(513,593)				(513,593)
Treasury stock purchases						16,499,900	520,255	(520,255)
Share-based compensation awards			75,054			(5,892,065)	(143,143)	218,197
Adoption of uncertain tax benefits provision				(91,635)				(91,635)
Adoption of pension measurement				(3,572)	22,780			19,208

date provision								
Balance as of June 28, 2008	765,174,900	$ 765,175	$ 712,208	$ 6,041,429	$ (68,768)	163,942,358	$ 4,041,058	$ 3,408,986
Net earnings				1,055,948				1,055,948
Foreign currency translation adjustment					(84,452)			(84,452)
Amortization of cash flow hedge, net of tax					428			428
Reclassification of pension and other postretirement benefit plans amounts to net earnings, net of tax					13,335			13,335
Pension liability assumption, net of tax					(16,450)			(16,450)
Pension funded status adjustment, net of tax					(122,079)			(122,079)
Comprehensive income								846,730
Dividends declared				(557,487)				(557,487)
Treasury stock purchases						16,951,200	438,842	(438,842)
Share-based compensation awards			48,144			(5,745,155)	(142,171)	190,315
Balance as of June 27, 2009	765,174,900	$ 765,175	$ 760,352	$ 6,539,890	$ (277,986)	175,148,403	$ 4,337,729	$ 3,449,702
Net earnings				1,179,983				1,179,983
Foreign currency translation adjustment					49,973			49,973
Amortization of cash flow					428			428

hedge, net of tax								
Reclassification of pension and other postretirement benefit plans amounts to net earnings, net of tax					27,464			27,464
Pension funded status adjustment, net of tax					(280,130)			(280,130)
Comprehensive income								977,718
Dividends declared				(585,734)				(585,734)
Treasury stock purchases						6,000,000	179,174	(179,174)
Share-based compensation awards			56,481			(4,379,608)	(108,533)	165,014
Balance as of July 3, 2010	765,174,900	$ 765,175	$ 816,833	$ 7,134,139	$ (480,251)	176,768,795	$ 4,408,370	$ 3,827,526

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SYSCO
CONSOLIDATED CASH FLOWS

	Year Ended		
	July 3, 2010 (53 Weeks)	**June 27, 2009**	**June 28, 2008**
		(In thousands)	
Cash flows from operating activities:			
Net earnings	$ 1,179,983	$ 1,055,948	$ 1,106,151
Adjustments to reconcile net earnings to cash provided by operating activities:			
Share-based compensation expense	66,358	56,030	80,650
Depreciation and amortization	389,976	382,339	372,529
Deferred income taxes	(121,865)	(294,162)	643,480
Provision for losses on receivables	34,931	74,638	32,184
Other non-cash items	2,550	(3,586)	(2,747)
Additional investment in certain assets and liabilities, net of effect of businesses acquired:			
(Increase) decrease in receivables	(166,426)	188,748	(128,017)
(Increase) decrease in inventories	(106,172)	177,590	(110,925)
(Increase) decrease in prepaid expenses and other current assets	(6,271)	(678)	59,896
Increase (decrease) in accounts payable	154,811	(198,284)	28,671
Increase (decrease) in accrued expenses	58,002	(120,314)	(22,721)
(Decrease) increase in accrued income taxes	(296,475)	325,482	(509,783)
(Increase) decrease in other assets	(31,514)	(15,701)	11,926
(Decrease) increase in other long-term liabilities and prepaid pension cost, net	(271,692)	(48,380)	13,459
Excess tax benefits from share-based compensation arrangements	(768)	(2,921)	(4,404)
Net cash provided by operating activities	885,428	1,576,749	1,570,349
Cash flows from investing activities:			
Additions to plant and equipment	(594,604)	(464,561)	(515,963)
Proceeds from sales of plant and equipment	21,710	25,244	13,320
Acquisition of businesses, net of cash acquired	(29,293)	(218,075)	(55,259)
Purchases of short-term investments	(85,071)		
Maturities of short-term investments	61,568		
(Increase) decrease in restricted cash	(30,630)		