SYSCO CORP
Form 10-Q
May 10, 2011

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

Form 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2011

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

583,478,931 shares of common stock were outstanding as of April 30, 2011.

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PART I FINANCIAL INFORMATION

Item 1. *Financial Statements*

Sysco Corporation and its Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except for Share Data)

	April 2, 2011 (unaudited)	July 3, 2010	March 27, 2010 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	$ 385,668	$ 585,443	$ 586,854
Short-term investments		23,511	
Accounts and notes receivable, less allowances of $86,668, $36,573 and $83,069	2,926,033	2,617,352	2,633,995
Inventories	2,047,371	1,771,539	1,751,239
Prepaid expenses and other current assets	79,485	70,992	71,761
Prepaid income taxes		7,421	22,008
Total current assets	5,438,557	5,076,258	5,065,857
Plant and equipment at cost, less depreciation	3,419,862	3,203,823	3,176,220
Other assets			
Goodwill	1,596,727	1,549,815	1,559,291
Intangibles, less amortization	101,518	106,398	114,254
Restricted cash	110,488	124,488	135,590
Prepaid pension cost			92,757
Other assets	282,782	252,919	258,320
Total other assets	2,091,515	2,033,620	2,160,212
Total assets	$ 10,949,934	$ 10,313,701	$ 10,402,289
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Notes payable	$ 2,250	$	$
Accounts payable	2,143,219	1,953,092	1,972,984
Accrued expenses	800,155	870,114	794,235
Accrued income taxes	84,838		
Deferred income taxes	98,946	178,022	76,258
Current maturities of long-term debt	7,042	7,970	7,817
Total current liabilities	3,136,450	3,009,198	2,851,294
Other liabilities			
Long-term debt	2,663,470	2,472,662	2,468,517
Deferred income taxes	130,453	271,512	513,211
Other long-term liabilities	812,356	732,803	541,229
Total other liabilities	3,606,279	3,476,977	3,522,957

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	765,175
Paid-in capital	861,835	816,833	799,278
Retained earnings	7,499,532	7,134,139	6,943,640
Accumulated other comprehensive loss	(330,060)	(480,251)	(167,827)
Treasury stock at cost, 182,347,524, 176,768,795 and 173,872,949 shares	(4,589,277)	(4,408,370)	(4,312,228)
Total shareholders equity	4,207,205	3,827,526	4,028,038
Total liabilities and shareholders equity	$ 10,949,934	$ 10,313,701	$ 10,402,289

Note: The July 3, 2010 balance sheet has been derived from the audited financial statements at that date.

See Notes to Consolidated Financial Statements

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Sysco Corporation and its Consolidated Subsidiaries
CONSOLIDATED RESULTS OF OPERATIONS (Unaudited)
(In Thousands, Except for Share and Per Share Data)

	39-Week Period Ended		13-Week Period Ended	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
Sales	$ 28,897,786	$ 26,895,018	$ 9,761,660	$ 8,945,093
Cost of sales	23,513,565	21,769,400	7,950,800	7,261,721
Gross margin	5,384,221	5,125,618	1,810,860	1,683,372
Operating expenses	4,013,469	3,733,836	1,383,373	1,251,269
Operating income	1,370,752	1,391,782	427,487	432,103
Interest expense	88,133	92,976	28,972	27,654
Other expense (income), net	(9,941)	(2,122)	(6,957)	1,028
Earnings before income taxes	1,292,560	1,300,928	405,472	403,421
Income taxes	476,840	458,726	146,994	155,773
Net earnings	$ 815,720	$ 842,202	$ 258,478	$ 247,648
Net earnings:				
Basic earnings per share	$ 1.39	$ 1.42	$ 0.44	$ 0.42
Diluted earnings per share	$ 1.39	$ 1.42	$ 0.44	$ 0.42
Average shares outstanding	585,792,383	592,450,575	583,722,009	593,129,783
Diluted shares outstanding	587,878,509	593,397,235	585,421,864	594,833,736
Dividends declared per common share	$ 0.77	$ 0.74	$ 0.26	$ 0.25

See Notes to Consolidated Financial Statements

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Sysco Corporation and its Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In Thousands)

	39-Week Period Ended		13-Week Period Ended	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
Net earnings	$ 815,720	$ 842,202	$ 258,478	$ 247,648
Other comprehensive income:				
Foreign currency translation adjustment	111,126	89,241	44,339	5,295
Items presented net of tax:				
Amortization of cash flow hedge	321	321	107	107
Amortization of unrecognized prior service cost	1,914	2,030	638	677
Amortization of unrecognized actuarial loss, net	36,760	18,498	12,253	6,166
Amortization of unrecognized transition obligation	70	69	24	23
Total other comprehensive income	150,191	110,159	57,361	12,268
Comprehensive income	$ 965,911	$ 952,361	$ 315,839	$ 259,916

See Notes to Consolidated Financial Statements

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Sysco Corporation and its Consolidated Subsidiaries
CONSOLIDATED CASH FLOWS (Unaudited)
(In Thousands)

	39-Week Period Ended	
	April 2, 2011	**March 27, 2010**
Cash flows from operating activities:		
Net earnings	$ 815,720	$ 842,202
Adjustments to reconcile net earnings to cash provided by operating activities:		
Share-based compensation expense	48,518	51,981
Depreciation and amortization	298,307	284,213
Deferred income taxes	(244,658)	(152,236)
Provision for losses on receivables	35,624	32,030
Other non-cash items	(7,286)	(1,112)
Additional investment in certain assets and liabilities, net of effect of businesses acquired:		
(Increase) in receivables	(301,932)	(169,520)
(Increase) in inventories	(244,636)	(79,010)
(Increase) in prepaid expenses and other current assets	(7,486)	(6,569)
Increase in accounts payable	158,488	167,438
(Decrease) in accrued expenses	(83,826)	(21,468)
Increase (decrease) in accrued income taxes	83,580	(316,074)
(Increase) in other assets	(26,622)	(39,618)
Increase (decrease) in other long-term liabilities and prepaid pension cost, net	142,253	(115,210)
Excess tax benefits from share-based compensation arrangements	(285)	(518)
Net cash provided by operating activities	665,759	476,529
Cash flows from investing activities:		
Additions to plant and equipment	(454,054)	(438,071)
Proceeds from sales of plant and equipment	15,286	4,106
Acquisition of businesses, net of cash acquired	(35,486)	(20,880)
Purchases of short-term investments		(60,876)
Maturities of short-term investments	24,713	60,990
Decrease (increase) in restricted cash	14,000	(41,732)
Net cash used for investing activities	(435,541)	(496,463)
Cash flows from financing activities:		
Bank and commercial paper borrowings (repayments), net	188,249	
Other debt borrowings	2,592	5,419
Other debt repayments	(6,516)	(8,196)
Debt issuance costs	(7)	(7)
Proceeds from common stock reissued from treasury for share-based compensation awards	103,328	54,068
Treasury stock purchases	(291,600)	(41,020)

Dividends paid	(445,406)	(431,916)
Excess tax benefits from share-based compensation arrangements	285	518
Net cash used for financing activities	(449,075)	(421,134)
Effect of exchange rates on cash	19,082	9,271
Net (decrease) in cash and cash equivalents	(199,775)	(431,797)
Cash and cash equivalents at beginning of period	585,443	1,018,651
Cash and cash equivalents at end of period	$ 385,668	$ 586,854
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 111,924	$ 119,720
Income taxes	657,961	973,354

See Notes to Consolidated Financial Statements

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Sysco Corporation and its Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

1. BASIS OF PRESENTATION

The consolidated financial statements have been prepared by the company, without audit, with the exception of the July 3, 2010 consolidated balance sheet which was taken from the audited financial statements included in the company s Fiscal 2010 Annual Report on Form 10-K. The financial statements include consolidated balance sheets, consolidated results of operations, consolidated statements of comprehensive income and consolidated cash flows. In the opinion of management, all adjustments, which consist of normal recurring adjustments, necessary to present fairly the financial position, results of operations, comprehensive income and cash flows for all periods presented have been made.

Prior year amounts within the consolidated balance sheets and consolidated cash flows have been reclassified to conform to the current year presentation as it relates to the presentation of cash and accounts payable within these statements. The impact of these reclassifications was immaterial to the prior year period.

These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the company s Fiscal 2010 Annual Report on Form 10-K.

A review of the financial information herein has been made by Ernst & Young LLP, independent auditors, in accordance with established professional standards and procedures for such a review. A report from Ernst & Young LLP concerning their review is included as Exhibit 15.1 to this Form 10-Q.

2. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 Unobservable inputs for the asset or liability, which include management s own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

Sysco s policy is to invest in only high-quality investments. Cash equivalents primarily include time deposits, certificates of deposit, commercial paper, high-quality money market funds and all highly liquid instruments with original maturities of three months or less. Short-term investments consist of commercial paper with original maturities of greater than three months but less than one year. These investments are considered available-for-sale and are recorded at fair value. As of each period presented below where short-term investments were held, the difference between the fair value of the short-term investments and the original cost was not material. Restricted cash consists of investments in high-quality money market funds.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Time deposits, certificates of deposit and commercial paper included in cash equivalents are valued at amortized cost, which approximates fair value. These are included within cash equivalents as a Level 2 measurement in the tables below.

Commercial paper included in short-term investments is valued using broker quotes that utilize observable market inputs. These are included as a Level 2 measurement in the tables below.

Money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are included within cash equivalents and restricted cash as Level 1 measurements in the tables below.

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The interest rate swap agreements, discussed further in Note 3, Derivative Financial Instruments, are valued using a swap valuation model that utilizes an income approach using observable market inputs including interest rates, LIBOR swap rates and credit default swap rates. These are included as a Level 2 measurement in the tables below.

The following tables present the company s assets measured at fair value on a recurring basis as of April 2, 2011, July 3, 2010 and March 27, 2010:

	Assets Measured at Fair Value as of April 2, 2011			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash and cash equivalents				
Cash equivalents	$	$ 214,562	$	$ 214,562
Restricted cash	110,488			110,488
Other assets				
Interest rate swap agreements		10,871		10,871
Total assets at fair value	$ 110,488	$ 225,433	$	$ 335,921

	Assets Measured at Fair Value as of July 3, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash and cash equivalents				
Cash equivalents	$ 225,400	$ 199,047	$	$ 424,447
Short-term investments		23,511		23,511
Restricted cash	124,488			124,488
Other assets				
Interest rate swap agreements		11,045		11,045
Total assets at fair value	$ 349,888	$ 233,603	$	$ 583,491

	Assets Measured at Fair Value as of March 27, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash and cash equivalents				
Cash equivalents	$ 241,207	$ 202,967	$	$ 444,174
Restricted cash	135,590			135,590
Other assets				
Interest rate swap agreements		3,836		3,836
Total assets at fair value	$ 376,797	$ 206,803	$	$ 583,600

The carrying values of accounts receivable and accounts payable approximated their respective fair values due to the short-term maturities of these instruments. The fair value of Sysco s total debt is estimated based on the quoted market prices for the same or similar issue or on the current rates offered to the company for debt of the same remaining maturities. The fair value of total debt approximated $2,874.0 million, $2,774.9 million and $2,633.2 million as of April 2, 2011, July 3, 2010 and March 27, 2010, respectively. The carrying value of total debt was $2,672.8 million, $2,480.6 million and $2,476.3 million as of April 2, 2011, July 3, 2010 and March 27, 2010, respectively.

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3. DERIVATIVE FINANCIAL INSTRUMENTS

Sysco manages its debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate swaps from time to time to achieve this position. The company does not use derivative financial instruments for trading or speculative purposes.

In September 2009, the company 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, the company 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.

The location and the fair value of derivative instruments in the consolidated balance sheet as of April 2, 2011, July 3, 2010 and March 27, 2010 are as follows:

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In thousands)			
Interest rate swap agreements				
April 2, 2011	Other assets	$ 10,871	N/A	N/A
July 3, 2010	Other assets	11,045	N/A	N/A
March 27, 2010	Other assets	3,836	N/A	N/A

The location and effect of derivative instruments and related hedged items on the consolidated results of operations for the 39-week periods ended April 2, 2011 and March 27, 2010 presented on a pre-tax basis are as follows:

	Location of (Gain) or Loss Recognized in Income	Amount of (Gain) or Loss Recognized in Income	
		April 2, 2011	March 27, 2010
		(In thousands)	
Fair Value Hedge Relationships:			
Interest rate swap agreements	Interest expense	$ (6,746)	$ (6,404)

The location and effect of derivative instruments and related hedged items on the consolidated results of operations for the 13-week periods ended April 2, 2011 and March 27, 2010 presented on a pre-tax basis are as follows:

	Location of (Gain) or Loss Recognized in Income	Amount of (Gain) or Loss Recognized in Income	
		April 2, 2011	March 27, 2010

		(In thousands)	
Fair Value Hedge Relationships:			
Interest rate swap agreements	Interest expense	$ (2,261)	$ (4,847)

Hedge ineffectiveness represents the difference between the changes in the fair value of the derivative instruments and the changes in fair value of the fixed rate debt attributable to changes in the benchmark interest rate. Hedge ineffectiveness is recorded directly in earnings within interest expense and was immaterial for the 39-week periods and 13-week periods ended April 2, 2011 and March 27, 2010. The interest rate swaps do not contain credit-risk-related contingent features.

4. DEBT

As of April 2, 2011, Sysco had uncommitted bank lines of credit which provided for unsecured borrowings for working capital of up to $95.0 million, of which $2.3 million was outstanding.

Sysco has a Board-approved commercial paper program allowing the company to issue short-term unsecured notes in an aggregate amount not to exceed $1,300.0 million.

Sysco and one of its subsidiaries, Sysco International, ULC, have a revolving credit facility supporting the company s U.S. and Canadian commercial paper programs. The facility in the amount of $1,000.0 million expires on November 4, 2012, but is subject to extension.

As of April 2, 2011, commercial paper issuances outstanding were $186.0 million and were classified as long-term debt since the company s commercial paper programs are supported by the long-term revolving credit facility described above.

During the 39-week period ended April 2, 2011, aggregate commercial paper issuances and short-term bank borrowings ranged from zero to approximately $330.3 million.

5. EMPLOYEE BENEFIT PLANS

The components of net company-sponsored benefit cost for the 39-week periods presented are as follows:

	Pension Benefits		Other Postretirement Plans	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
	(In thousands)			
Service cost	$ 74,582	$ 49,989	$ 297	$ 246
Interest cost	101,230	89,694	393	421
Expected return on plan assets	(98,940)	(78,645)		
Amortization of prior service cost	2,969	3,157	139	139
Recognized net actuarial loss (gain)	59,964	30,394	(291)	(367)
Amortization of transition obligation			115	114
Net periodic benefit cost	$ 139,805	$ 94,589	$ 653	$ 553

The components of net company-sponsored benefit cost for the 13-week periods presented are as follows:

	Pension Benefits		Other Postretirement Plans	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
	(In thousands)			
Service cost	$ 24,861	$ 16,663	$ 99	$ 82
Interest cost	33,743	29,897	131	140
Expected return on plan assets	(32,980)	(26,215)		
Amortization of prior service cost	990	1,053	46	46
Recognized net actuarial loss (gain)	19,988	10,132	(97)	(122)
Amortization of transition obligation			39	38
Net periodic benefit cost	$ 46,602	$ 31,530	$ 218	$ 184

Sysco s contributions to its company-sponsored defined benefit plans were $16.0 million and $118.3 million during the 39-week periods ended April 2, 2011 and March 27, 2010, respectively.

The company made contributions of $140.0 million to its company-sponsored qualified pension plan (Retirement Plan) in fiscal 2010 that would normally have been made in fiscal 2011. Additional contributions to the Retirement Plan are not currently anticipated in fiscal 2011. The company s contributions to the Supplemental Executive

Retirement Plan (SERP) and other post-retirement plans are made in the amounts needed to fund current year benefit payments. The estimated fiscal 2011 contributions to fund benefit payments for the SERP and other post-retirement plans are $22.2 million and $0.3 million, respectively.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	39-Week Period Ended		13-Week Period Ended	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
	(In thousands, except for share and per share data)			
Numerator:				
Net earnings	$ 815,720	$ 842,202	$ 258,478	$ 247,648
Denominator:				
Weighted-average basic shares outstanding	585,792,383	592,450,575	583,722,009	593,129,783
Dilutive effect of share-based awards	2,086,126	946,660	1,699,855	1,703,953
Weighted-average diluted shares outstanding	587,878,509	593,397,235	585,421,864	594,833,736
Basic earnings per share:	$ 1.39	$ 1.42	$ 0.44	$ 0.42
Diluted earnings per share:	$ 1.39	$ 1.42	$ 0.44	$ 0.42

The number of options that were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive was approximately 51,300,000 and 61,500,000 for the first 39 weeks of fiscal 2011 and 2010, respectively. The number of options that were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive was approximately 54,400,000 and 52,800,000 for the third quarter of fiscal 2011 and 2010, respectively.

7. SHARE-BASED COMPENSATION

Sysco provides 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, and various non-employee director plans. Sysco also previously provided share-based compensation under its Management Incentive Plans.

Stock Incentive Plans

In the first 39 weeks of fiscal 2011, options to purchase 7,190,250 shares were granted to employees from the 2007 Stock Incentive Plan. The fair value of each option award is estimated as of the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value per share of options granted during the first 39 weeks of fiscal 2011 was $3.96.

In the first 39 weeks of fiscal 2011, 656,000 restricted stock units were granted to employees from the 2007 Stock Incentive Plan. The majority of these restricted stock units were granted with dividend equivalents. 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 unit awards granted without dividend equivalents, the fair value was reduced by the present value of expected dividends during the vesting period. The weighted average grant-date fair value per share of restricted stock units granted during the first 39 weeks of fiscal 2011 was $28.72.

In the first 39 weeks of fiscal 2011, restricted awards in the amount of 60,973 shares were granted to non-employee directors from the 2009 Non-Employee Directors Stock Plan. The non-employee directors may elect to receive these awards in restricted stock shares that will vest at the end of the award s stated vesting period or as deferred units which convert into shares of Sysco common stock upon a date selected by the non-employee director that is subsequent to the award s stated vesting date. The fair value of the restricted awards is based on the company s stock price as of the date of grant. The weighted average grant-date fair value per share of restricted awards granted during the first 39 weeks of fiscal 2011 was $28.87.

Under the 2009 Non-Employee Directors Stock Plan, non-employee directors may elect to receive up to 100% of their annual directors fees in Sysco common stock on either an annual or deferred basis. In the first 39 weeks of fiscal 2011,

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27,979 shares with a weighted average grant date fair value of $29.26 were issued for these elections in the form of fully vested common stock or deferred units.

Employees Stock Purchase Plan

Plan participants purchased 1,252,194 shares of Sysco common stock under the Sysco Employees Stock Purchase Plan during the first 39 weeks of fiscal 2011.

The weighted average fair value per share of employee stock purchase rights issued pursuant to the Employees Stock Purchase Plan was $4.33 during the first 39 weeks of fiscal 2011. The fair value of the stock purchase rights is estimated as the difference between the stock price and the employee purchase price.

All Share-Based Payment Arrangements

The total share-based compensation cost that has been recognized in results of operations was $48.5 million and $52.0 million for the first 39 weeks of fiscal 2011 and fiscal 2010, respectively.

As of April 2, 2011, there was $70.4 million of total unrecognized compensation cost related to share-based compensation arrangements. This cost is expected to be recognized over a weighted-average period of 2.76 years.

8. INCOME TAXES

Internal Revenue Service Settlement

In the first quarter of fiscal 2010, Sysco reached a settlement with the Internal Revenue Service (IRS) in connection with its audits of the company s 2003 through 2006 federal income tax returns. As a result of the settlement, Sysco agreed to cease paying U.S. federal taxes related to its affiliate Baugh Supply Chain Cooperative (BSCC) on a deferred basis and pay the amounts that were recorded within deferred taxes related to BSCC over a three-year period as follows:

	(In thousands)
Fiscal 2010	$ 528,000
Fiscal 2011	212,000
Fiscal 2012	212,000

In the first 39 weeks of fiscal 2011, $159.0 million of payments were made related to the settlement. As noted in the table above, $528.0 million was paid related to the settlement in fiscal 2010, of which $475.0 million was paid in the first 39 weeks of fiscal 2010. The remaining amount to be paid in fiscal 2011 will be paid in connection with Sysco s quarterly tax payment in the fourth quarter. Remaining amounts to be paid in fiscal 2012 will be paid in connection with Sysco s quarterly tax payments, two of which fall in the second quarter, one in the third quarter and one in the fourth quarter. The company believes it has access to sufficient cash on hand, cash flow from operations and current access to capital to make payments on all of the amounts noted above. The company had previously accrued interest for a portion of the exposure pertaining to the IRS proposed adjustments and as a result of the settlement with the IRS, Sysco recorded an income tax benefit of approximately $29.0 million in the first quarter of fiscal 2010.

Sysco s deferred taxes were impacted by the timing of these installment payments. Sysco reclassified amounts due within one year from deferred taxes to accrued income taxes at the beginning of fiscal 2010 and at the beginning of fiscal 2011.

Uncertain Tax Positions

As of April 2, 2011, the gross amount of unrecognized tax benefits was $75.4 million and the gross amount of accrued interest liabilities was $33.8 million. It is reasonably possible that the amount of the unrecognized tax benefits with respect to certain of the company s unrecognized tax positions will increase or decrease in the next twelve months either because Sysco prevails on positions that were being challenged upon audit or because the company agrees to their disallowance. Items that may cause changes to unrecognized tax benefits primarily include the consideration of various filing requirements in numerous states and the allocation of income and expense between tax jurisdictions. At this time, an estimate of the range of the reasonably possible change cannot be made.

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Effective Tax Rates

The effective tax rate of 36.89% for the first 39 weeks of fiscal 2011 was favorably impacted by two items. First , the company recorded a tax benefit of approximately $11.6 million for the reversal of valuation allowances previously recorded on state net operating loss carryforwards. Second, the company adjusted the carrying values of the company s corporate-owned life insurance (COLI) policies to their cash surrender values. The gain of $29.5 million recorded in the first 39 weeks of fiscal 2011 was non-taxable for income tax purposes, and had the impact of decreasing income tax expense for the period by $11.3 million. Partially offsetting these favorable impacts was the recording of $7.7 million in tax and interest related to various federal and state uncertain tax positions.

The effective tax rate of 35.26% for the first 39 weeks of fiscal 2010 was favorably impacted by two items. First, the company recorded an income tax benefit of approximately $29.0 million resulting from the one-time reversal of previously accrued interest related to the settlement with the IRS. Second, the gain of $31.8 million recorded to adjust the carrying value of COLI policies to their cash surrender values in the first 39 weeks of fiscal 2010 was non-taxable for income tax purposes and had the impact of decreasing income tax expense for the period by $12.2 million.

The effective tax rate of 36.25% for the third quarter of fiscal 2011 was favorably impacted by the recording of a tax benefit of approximately $10.0 million for the reversal of valuation allowances previously recorded on state net operating loss carryforwards. This favorable impact was partially offset by the recording of $4.1 million in tax and interest related to various federal and state uncertain tax positions.

The effective tax rate was 38.61% for the third quarter of fiscal 2010.

Other

The determination of the company s provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. The company s provision for income taxes 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 tax contingencies or valuation allowances, and the company s change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

9. ACQUISITIONS

During the first 39 weeks of fiscal 2011, in the aggregate, the company paid cash of $35.5 million for acquisitions made during fiscal 2011 and for contingent consideration related to operations acquired in previous fiscal years. Acquisitions in the first 39 weeks of fiscal 2011 were immaterial to the consolidated financial statements and therefore additional disclosures have not been provided.

Certain acquisitions involve contingent consideration typically payable over periods up to five years only in the event that certain operating results are attained or certain outstanding contingencies are resolved. As of April 2, 2011, aggregate contingent consideration amounts outstanding relating to acquisitions was $48.0 million, of which $46.0 million could result in the recording of additional goodwill.

10. COMMITMENTS AND CONTINGENCIES

Sysco is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial position or results of operations of the company when ultimately concluded.

Multi-Employer Pension Plans

Sysco contributes to several multi-employer defined benefit pension plans based on obligations arising under collective bargaining agreements covering union-represented employees. Sysco does 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 employers contributing to the plan. Based upon the information available from plan administrators, management believes that several of these multi-employer plans are underfunded. In addition, pension-related legislation requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. As a result, Sysco expects its contributions to these plans to increase in the future.

Under current law regarding multi-employer defined benefit plans, a plan s termination, Sysco s voluntary withdrawal, or the mass withdrawal of all contributing employers from any underfunded multi-employer defined benefit plan would require Sysco to make payments to the plan for Sysco s 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 the plans in which we participate. Based on the information available from plan administrators, which has valuation dates ranging from January 31, 2009 to December 31, 2009, Sysco estimates its share of withdrawal liability on most of the multi-employer plans in which it participates could have been as much as $200.0 million as of April 2, 2011, based on a voluntary withdrawal. This estimate excludes plans for which Sysco has recorded withdrawal liabilities. The majority of the plans we participate in have a valuation date of calendar year-end. As such, the majority of the estimated withdrawal liability results from plans for which the valuation date was December 31, 2009; therefore, the company s estimated liability reflects the effects of the fair value of the plans assets and projected benefit obligations as of that date. Due to the lack of current information, management believes Sysco s 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 nondeductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund.

In the third quarter of fiscal 2011, the union members of one of the company s subsidiaries voted to withdraw from the union s multi-employer pension plan and join Sysco s company-sponsored Retirement Plan. This action triggered a partial withdrawal from the multi-employer pension plan. As a result, during the third quarter of fiscal 2011, Sysco recorded a withdrawal liability provision of approximately $36.1 million related to this plan. As of April 2, 2011, Sysco had approximately $42.4 million in liabilities recorded related to certain multi-employer defined benefit plans for which Sysco s voluntary withdrawal had already occurred, which includes the liability recorded in the third quarter of fiscal 2011. Recorded withdrawal liabilities are estimated at the time of withdrawal based on the most recently available valuation and participant data for the respective plans; amounts are adjusted up to the period of payment to reflect any changes to these estimates.

Fuel Commitments

From time to time, Sysco may enter into forward purchase commitments for a portion of its projected diesel fuel requirements. As of April 2, 2011, outstanding forward diesel fuel purchase commitments totaled approximately $71.0 million at a fixed price through February 2012.

11. BUSINESS SEGMENT INFORMATION

The company has aggregated its operating companies into a number of segments, of which only Broadline and SYGMA are reportable segments as defined in the accounting literature related to disclosures about segments of an enterprise. The Broadline reportable segment is an aggregation of the company s United States, Canadian and European Broadline segments, as well as its custom-cut meat operations. 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 certain chain restaurant customer locations. Other financial information is attributable to the company s other operating segments, including the company s specialty produce and lodging industry segments and a company that distributes to international customers.

Beginning in the third quarter of fiscal 2011, the company s custom-cut meat operations were reorganized to function as part of the United States Broadline segment. As a result, the custom-cut meat operations are included in the Broadline reportable segment in the segment reporting presented below. Previously, these operations were an independent segment and were presented with the Other financial information relating to non-reportable segments. Segment reporting for the comparable prior year periods has been revised to conform to the new classification of the custom-cut meat operations as part of the Broadline reportable segment.

The accounting policies for the segments are the same as those disclosed by Sysco for its consolidated financial statements. Intersegment sales 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 Sysco s 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.

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Included in corporate expenses, among other items, are:

- Gains and losses recorded to adjust COLI 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.

The following tables set forth certain financial information for Sysco s business segments:

	39-Week Period Ended		13-Week Period Ended	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
	(In thousands)			
Sales:				
Broadline	$ 23,468,341	$ 21,984,082	$ 7,915,829	$ 7,268,364
SYGMA	3,947,705	3,505,710	1,315,439	1,197,536
Other	1,597,680	1,504,384	575,716	515,432
Intersegment sales	(115,940)	(99,158)	(45,324)	(36,239)
Total	$ 28,897,786	$ 26,895,018	$ 9,761,660	$ 8,945,093

	39-Week Period Ended		13-Week Period Ended	
	April 2, 2011	March 27, 2010	April 2, 2011	March 27, 2010
	(In thousands)			
Operating income:				
Broadline	$ 1,506,397	$ 1,489,407	$ 477,063	$ 462,054
SYGMA	45,244	31,365	16,852	13,508
Other	64,826	60,478	27,730	22,108
Total segments	1,616,467	1,581,250	521,645	497,670
Corporate expenses	(245,715)	(189,468)	(94,158)	(65,567)
Total operating income	1,370,752	1,391,782	427,487	432,103
Interest expense	88,133	92,976	28,972	27,654
Other expense (income), net	(9,941)	(2,122)	(6,957)	1,028
Earnings before income taxes	$ 1,292,560	$ 1,300,928	$ 405,472	$ 403,421

	April 2, 2011	July 3, 2010	March 27, 2010
		(In thousands)	
Assets:			
Broadline	$ 7,153,837	$ 6,417,776	$ 6,382,582
SYGMA	424,087	392,883	380,756
Other	811,720	738,814	745,976

Total segments	8,389,644	7,549,473	7,509,314
Corporate	2,560,290	2,764,228	2,892,975
Total	$ 10,949,934	$ 10,313,701	$ 10,402,289

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12. SUPPLEMENTAL GUARANTOR INFORMATION PARENT GUARANTEE

Sysco International, ULC is an unlimited liability company organized under the laws of the Province of British Columbia, Canada and is a wholly-owned subsidiary of Sysco. In May 2002, Sysco International, Co. issued, in a private offering, $200.0 million of 6.10% notes due in 2012. These notes are fully and unconditionally guaranteed by Sysco.

The following condensed consolidating financial statements present separately the financial position, results of operations and cash flows of the parent guarantor (Sysco), the subsidiary issuer (Sysco International) and all other non-guarantor subsidiaries of Sysco (Other Non-Guarantor Subsidiaries) on a combined basis with eliminating entries.

Condensed Consolidating Balance Sheet
April 2, 2011

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Current assets	$ 178,969	$	$ 5,259,588	$	$ 5,438,557
Investment in subsidiaries	13,496,924	537,424	114,035	(14,148,383)	
Plant and equipment, net	583,676		2,836,186		3,419,862
Other assets	378,046	410	1,713,059		2,091,515
Total assets	$ 14,637,615	$ 537,834	$ 9,922,868	$ (14,148,383)	$ 10,949,934
Current liabilities	$ 385,558	$ 4,137	$ 2,746,755	$	$ 3,136,450
Intercompany payables (receivables)	7,345,425	99,435	(7,444,860)		
Long-term debt	2,411,205	199,928	52,337		2,663,470
Other liabilities	528,883		413,926		942,809
Shareholders equity	3,966,544	234,334	14,154,710	(14,148,383)	4,207,205
Total liabilities and shareholders equity	$ 14,637,615	$ 537,834	$ 9,922,868	$ (14,148,383)	$ 10,949,934

Condensed Consolidating Balance Sheet
July 3, 2010

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Current assets	$ 417,336	$ 33	$ 4,658,889	$	$ 5,076,258
Investment in subsidiaries	14,979,871	465,641	142,925	(15,588,437)	
Plant and equipment, net	425,279		2,778,544		3,203,823
Other assets	362,658	597	1,670,365		2,033,620
Total assets	$ 16,185,144	$ 466,271	$ 9,250,723	$ (15,588,437)	$ 10,313,701
Current liabilities	$ 444,274	$ 1,114	$ 2,563,810	$	$ 3,009,198

Intercompany payables (receivables)	9,405,317	73,124	(9,478,441)		
Long-term debt	2,225,781	199,881	47,000		2,472,662
Other liabilities	411,781		592,534		1,004,315
Shareholders equity	3,697,991	192,152	15,525,820	(15,588,437)	3,827,526
Total liabilities and shareholders equity	$ 16,185,144	$ 466,271	$ 9,250,723	$ (15,588,437)	$ 10,313,701

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Condensed Consolidating Balance Sheet
March 27, 2010

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Current assets	$ 420,468	$ 49	$ 4,645,340	$	$ 5,065,857
Investment in subsidiaries	14,493,372	473,766	134,043	(15,101,181)	
Plant and equipment, net	372,716		2,803,504		3,176,220
Other assets	542,736	700	1,616,776		2,160,212
Total assets	$ 15,829,292	$ 474,515	$ 9,199,663	$ (15,101,181)	$ 10,402,289
Current liabilities	$ 389,464	$ 3,941	$ 2,457,889	$	$ 2,851,294
Intercompany payables (receivables)	8,923,960	84,904	(9,008,864)		
Long-term debt	2,219,676	199,863	48,978		2,468,517
Other liabilities	436,957		617,483		1,054,440
Shareholders equity	3,859,235	185,807	15,084,177	(15,101,181)	4,028,038
Total liabilities and shareholders equity	$ 15,829,292	$ 474,515	$ 9,199,663	$ (15,101,181)	$ 10,402,289

Condensed Consolidating Results of Operations
For the 39-Week Period Ended April 2, 2011

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Sales	$	$	$ 28,897,786	$	$ 28,897,786
Cost of sales			23,513,565		23,513,565
Gross margin			5,384,221		5,384,221
Operating expenses	243,259	101	3,770,109		4,013,469
Operating income (loss)	(243,259)	(101)	1,614,112		1,370,752
Interest expense (income)	357,735	7,994	(277,596)		88,133
Other expense (income), net	(3,198)		(6,743)		(9,941)
Earnings (losses) before income taxes	(597,796)	(8,095)	1,898,451		1,292,560
Income tax provision (benefit)	(220,533)	(2,986)	700,359		476,840
Equity in earnings of subsidiaries	1,192,983	41,191		(1,234,174)	
Net earnings	$ 815,720	$ 36,082	$ 1,198,092	$ (1,234,174)	$ 815,720

	Condensed Consolidating Results of Operations For the 39-Week Period Ended March 27, 2010				
	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In thousands)				
Sales	$	$	$ 26,895,018	$	$ 26,895,018
Cost of sales			21,769,400		21,769,400
Gross margin			5,125,618		5,125,618
Operating expenses	180,871	77	3,552,888		3,733,836
Operating income	(180,871)	(77)	1,572,730		1,391,782
Interest expense (income)	360,170	7,600	(274,794)		92,976
Other income, net	2,115		(4,237)		(2,122)
Earnings (losses) before income taxes	(543,156)	(7,677)	1,851,761		1,300,928
Income tax (benefit) provision	(191,525)	(2,707)	652,958		458,726
Equity in earnings of subsidiaries	1,193,833	36,003		(1,229,836)	
Net earnings	$ 842,202	$ 31,033	$ 1,198,803	$ (1,229,836)	$ 842,202

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Condensed Consolidating Results of Operations
For the 13-Week Period Ended April 2, 2011

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Sales	$	$	$ 9,761,660	$	$ 9,761,660
Cost of sales			7,950,800		7,950,800
Gross margin			1,810,860		1,810,860
Operating expenses	89,527	36	1,293,810		1,383,373
Operating income (loss)	(89,527)	(36)	517,050		427,487
Interest expense (income)	95,879	2,317	(69,224)		28,972
Other expense (income), net	(3,106)		(3,851)		(6,957)
Earnings (losses) before income taxes	(182,300)	(2,353)	590,125		405,472
Income tax provision (benefit)	(66,039)	(851)	213,884		146,994
Equity in earnings of subsidiaries	374,739	9,444		(384,183)	
Net earnings	$ 258,478	$ 7,942	$ 376,241	$ (384,183)	$ 258,478

Condensed Consolidating Results of Operations
For the 13-Week Period Ended March 27, 2010

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Sales	$	$	$ 8,945,093	$	$ 8,945,093
Cost of sales			7,261,721		7,261,721
Gross margin			1,683,372		1,683,372
Operating expenses	58,061	8	1,193,200		1,251,269
Operating income	(58,061)	(8)	490,172		432,103
Interest expense (income)	119,040	2,532	(93,918)		27,654
Other income, net	2,475		(1,447)		1,028
Earnings (losses) before income taxes	(179,576)	(2,540)	585,537		403,421
Income tax (benefit) provision	(68,799)	(973)	225,545		155,773
Equity in earnings of subsidiaries	358,425	8,810		(367,235)	
Net earnings	$ 247,648	$ 7,243	$ 359,992	$ (367,235)	$ 247,648

Condensed Consolidating Cash Flows
For the 39-Week Period Ended April 2, 2011

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Consolidated Totals
	(In thousands)			
Net cash provided by (used for):				
Operating activities	$ (246,297)	$ 39,372	$ 872,684	$ 665,759
Investing activities	(170,172)		(265,369)	(435,541)
Financing activities	(444,484)		(4,591)	(449,075)
Effect of exchange rates on cash			19,082	19,082
Intercompany activity	619,954	(39,372)	(580,582)	
Net (decrease) in cash	(240,999)		41,224	(199,775)
Cash at the beginning of the period	373,523		211,920	585,443
Cash at the end of the period	$ 132,524	$	$ 253,144	$ 385,668

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Condensed Consolidating Cash Flows
For the 39-Week Period Ended March 27, 2010

	Sysco	Sysco International	Other Non-Guarantor Subsidiaries	Consolidated Totals
	(In thousands)			
Net cash provided by (used for):				
Operating activities	$ (320,225)	$ 34,184	$ 762,570	$ 476,529
Investing activities	(175,746)		(320,717)	(496,463)
Financing activities	(420,338)		(796)	(421,134)
Effect of exchange rates on cash			9,271	9,271
Intercompany activity	391,982	(34,184)	(357,798)	
Net (decrease) in cash	(524,327)		92,530	(431,797)
Cash at the beginning of the period	899,196		119,455	1,018,651
Cash at the end of the period	$ 374,869	$	$ 211,985	$ 586,854

13. SUPPLEMENTAL GUARANTOR INFORMATION SUBSIDIARY GUARANTEES

On January 19, 2011, the wholly-owned U.S. Broadline subsidiaries of Sysco Corporation entered into full and unconditional guarantees of all outstanding senior notes and debentures of Sysco Corporation. As of April 2, 2011, Sysco had a total of approximately $2,225.0 million in senior notes and debentures outstanding.

The following condensed consolidating financial statements present separately the financial position, results of operations and cash flows of the parent issuer (Sysco Corporation), the guarantors (U.S. Broadline subsidiaries), and all other non-guarantor subsidiaries of Sysco (Other Non-Guarantor Subsidiaries) on a combined basis with eliminating entries.

Condensed Consolidating Balance Sheet
April 2, 2011

	Sysco	U.S. Broadline Subsidiaries	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
	(In thousands)				
Current assets	$ 178,969	$ 3,570,059	$ 1,689,529	$	$ 5,438,557
Investment in subsidiaries	13,496,924			(13,496,924)	
Plant and equipment, net	583,676	1,782,067	1,054,119		3,419,862
Other assets	378,046	500,882	1,212,587		2,091,515
Total assets	$ 14,637,615	$ 5,853,008	$ 3,956,235	$ (13,496,924)	$ 10,949,934
Current liabilities	$ 385,558	$ 988,065	$ 1,762,827	$	$ 3,136,450
Intercompany payables (receivables)	7,345,425	(7,248,600)	(96,825)		
Long-term debt	2,411,205	24,313	227,952		2,663,470
Other liabilities	528,883	355,312	58,614		942,809
Shareholders equity	3,966,544	11,733,918	2,003,667	(13,496,924)	4,207,205

Total liabilities and shareholders equity	$ 14,637,615	$ 5,853,008	$ 3,956,235	$ (13,496,924)	$ 10,949,934

Condensed Consolidating Balance Sheet
July 3, 2010

	Sysco	U.S. Broadline Subsidiaries	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Current assets	$ 417,336	$ 3,165,121	$ 1,493,801	$	$ 5,076,258
Investment in subsidiaries	14,979,871			(14,979,871)	
Plant and equipment, net	425,279	1,762,580	1,015,964		3,203,823
Other assets	362,658	484,887	1,186,075		2,033,620
Total assets	$ 16,185,144	$ 5,412,588	$ 3,695,840	$ (14,979,871)	$ 10,313,701
Current liabilities	$ 444,274	$ 918,449	$ 1,646,475	$	$ 3,009,198
Intercompany payables (receivables)	9,405,317	(9,408,645)	3,328		
Long-term debt	2,225,781	18,860	228,021		2,472,662
Other liabilities	411,781	491,528	101,006		1,004,315
Shareholders equity	3,697,991	13,392,396	1,717,010	(14,979,871)	3,827,526
Total liabilities and shareholders equity	$ 16,185,144	$ 5,412,588	$ 3,695,840	$ (14,979,871)	$ 10,313,701

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Condensed Consolidating Balance Sheet
March 27, 2010

	Sysco	U.S. Broadline Subsidiaries	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Current assets	$ 420,468	$ 3,190,351	$ 1,455,038	$	$ 5,065,857
Investment in subsidiaries	14,493,372			(14,493,372)	
Plant and equipment, net	372,716	1,780,941	1,022,563		3,176,220
Other assets	542,736	429,599	1,187,877		2,160,212
Total assets	$ 15,829,292	$ 5,400,891	$ 3,665,478	$ (14,493,372)	$ 10,402,289
Current liabilities	$ 389,464	$ 854,515	$ 1,607,315	$	$ 2,851,294
Intercompany payables (receivables)	8,923,960	(8,964,904)	40,944		
Long-term debt	2,219,676	18,791	230,050		2,468,517
Other liabilities	436,957	517,975	99,508		1,054,440
Shareholders equity	3,859,235	12,974,514	1,687,661	(14,493,372)	4,028,038
Total liabilities and shareholders equity	$ 15,829,292	$ 5,400,891	$ 3,665,478	$ (14,493,372)	$ 10,402,289

Condensed Consolidating Results of Operations
For the 39-Week Period Ended April 2, 2011

	Sysco	U.S. Broadline Subsidiaries	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Sales	$	$ 19,973,534	$ 9,405,806	$ (481,554)	$ 28,897,786
Cost of sales		15,933,690	7,995,106	(415,231)	23,513,565
Gross margin		4,039,844	1,410,700	(66,323)	5,384,221
Operating expenses	243,259	2,687,947	1,148,586	(66,323)	4,013,469
Operating income (loss)	(243,259)	1,351,897	262,114		1,370,752
Interest expense (income)	357,735	(266,871)	(2,731)		88,133
Other expense (income), net	(3,198)	(3,113)	(3,630)		(9,941)
Earnings (losses) before income taxes	(597,796)	1,621,881	268,475		1,292,560
Income tax provision (benefit)	(220,533)	598,330	99,043		476,840
Equity in earnings of subsidiaries	1,192,983			(1,192,983)	
Net earnings	$ 815,720	$ 1,023,551	$ 169,432	$ (1,192,983)	$ 815,720

Condensed Consolidating Results of Operations
For the 39-Week Period Ended March 27, 2010

	Sysco	U.S. Broadline Subsidiaries	Other Non-Guarantor Subsidiaries	Eliminations	Consolidated Totals
			(In thousands)		
Sales	$	$ 18,777,386	$ 8,494,808	$ (377,176)	$ 26,895,018
Cost of sales		14,889,499	7,196,514	(316,613)	21,769,400
Gross margin		3,887,887	1,298,294		