CARDINAL HEALTH INC
Form 11-K
June 28, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Period from _________ to _________

Commission File Number 1-11373

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Syncor International Corporation Employees Savings and Stock Ownership Plan

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:
Cardinal Health, Inc.

7000 Cardinal Place

Dublin, Ohio 43017

Table of Contents

Syncor International Corporation Employees Savings and Stock Ownership Plan

Financial Statements and Supplemental Information

Years Ended December 31, 2009 and 2008

Table of Contents

* All other financial schedules required by Section 2520.103-10 of the U.S. Department of Labor s Annual Reporting and Disclosure Requirements under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Financial Benefit Plans Committee and the Benefits Policy Committee of the Syncor International Corporation Employees Savings and Stock Ownership Plan

We have audited the accompanying statements of net assets available for benefits of Syncor International Corporation Employees Savings and Stock Ownership Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan 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. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2009, is presented for purposes of additional analysis and are not a required part of the financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Columbus, Ohio

June 28, 2010

Table of Contents

Syncor International Corporation Employees Savings and Stock Ownership Plan

Statements of Net Assets Available for Benefits

December 31, 2009 and 2008

	December 31 2009	December 31 2008
Assets		
Plan s interest in Master Trusts assets at fair value	$ 80,220,549	$ 62,927,004
Participant loans, net of reserve for defaulted loans of $104,596 and $79,495 at December 31, 2009 and 2008, respectively	2,093,205	1,912,365
Total assets	82,313,754	64,839,369
Liabilities		
Accrued fees	12,361	13,281
Total liabilities	12,361	13,281
Net assets reflecting investments at fair value	82,301,393	64,826,088
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	52,506	797,056
Net assets available for benefits	**$ 82,353,899**	**$ 65,623,144**

The accompanying notes are an integral part of these financial statements.

Table of Contents

Syncor International Corporation Employees Savings and Stock Ownership Plan

Statements of Changes in Net Assets Available for Benefits

For the Years Ended December 31, 2009 and 2008

	2009	2008
Additions to net assets attributed to:		
Investment income (loss):		
Interest	$ 139,186	$ 156,057
Plan s interest in Master Trusts net investment income (loss)	15,557,084	(31,368,884)
Total investment income (loss)	15,696,270	(31,212,827)
Total additions	15,696,270	(31,212,827)
Deductions from net assets attributed to:		
Benefits paid to participants	3,805,332	7,528,829
Increase (decrease) in reserve for defaulted participant loans	25,101	(4,756)
Administrative expenses	91,578	133,705
Total deductions	3,922,011	7,657,778
Net increase (decrease) prior to litigation settlements	11,774,259	(38,870,605)
Shareholder Securities Litigation, SEC Investigation and ERISA litigation settlement proceeds	4,956,496	
Net increase (decrease)	16,730,755	(38,870,605)
Beginning of year	65,623,144	104,493,749
End of year	$ 82,353,899	$ 65,623,144

The accompanying notes are an integral part of these financial statements.

3

Table of Contents

Syncor International Corporation Employees Savings and Stock Ownership Plan

Notes to Financial Statements

December 31, 2009 and 2008

1. Description of Plan
General

The Syncor International Corporation Employees Savings and Stock Ownership Plan (the Plan) is a defined contribution plan covering substantially all employees of Cardinal Health, 414, Inc. (Syncor) not covered by a collective bargaining agreement who have attained age 18 and completed three months of employment, as defined in the Plan document, prior to August 1, 2003. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan acquired 1,750,000 shares of Syncor common stock with funds borrowed from or guaranteed by Syncor. As of December 31, 2001, all such borrowings had been fully repaid. With the acquisition of Syncor by Cardinal Health (the Company) as of January 1, 2003 (the Effective Date), the common stock of Syncor International Corporation was converted to Cardinal Health common shares of equal fair value on the Effective Date.

The Cardinal Health, Inc. U.S. Qualified Plans Master Trust (the Main Master Trust), the Cardinal Health Balanced Fund (the Balanced Master Trust), and the Cardinal Health Stable Value Fund (the Stable Value Master Trust) were established for the Plan and certain other plans of the Company. See Note 3 for more information regarding the Master Trusts.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

Administration

The Company s Financial Benefit Plans Committee (the Committee) is responsible for the general operation and administration of the Plan.

Fidelity Management Trust Company (Fidelity) serves as the Plan trustee, record keeper and asset custodian.

Spin-Off of CareFusion Corporation

Effective August 31, 2009, the Company completed a distribution to its shareholders of approximately 81% of the then outstanding common stock of CareFusion Corporation (CareFusion), a wholly owned subsidiary of the Company, with the Company retaining the remaining shares of CareFusion common stock (the Spin-Off). Under the requirements of the Private Letter Ruling obtained from the Internal Revenue Service, the Company is required to dispose of the retained shares of CareFusion common stock within five years of the Spin-Off.

Table of Contents

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Shareholder Securities Litigation against Cardinal Health / SEC Investigation

On and after July 2, 2004, multiple purported class action complaints were filed by putative purchasers of the Company s securities against the Company and certain of its current and former officers and directors, asserting claims under the federal securities laws. All of these actions were filed in the United States District Court for the Southern District of Ohio, where, on December 15, 2004, they were consolidated into a single proceeding referred to as *In re Cardinal Health, Inc. Federal Securities Litigation* (the Shareholder Securities Litigation). On April 22, 2005, the lead plaintiff filed a consolidated amended complaint naming the Company, certain current and former officers and employees and the Company s external auditors as defendants. The Shareholder Securities Litigation purported to be brought on behalf of all purchasers of the Company s securities during various periods beginning as early as October 24, 2000 and ending as late as July 26, 2004. The consolidated amended complaint alleged, among other things, that the defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act by issuing a series of false and/or misleading statements concerning the Company s financial results, prospects and condition. The alleged misstatements related to the Company s accounting for recoveries relating to antitrust litigation against vitamin manufacturers, classification of revenue in the Company s pharmaceutical supply chain business (formerly referred to as the pharmaceutical distribution business) as either operating revenue or revenue from bulk deliveries to customer warehouses, and other accounting and business model transition issues, including reserve accounting. The alleged misstatements were claimed to have caused an artificial inflation in the Company s stock price during the proposed class period. The consolidated amended complaint sought unspecified money damages and other unspecified relief against the defendants. On March 27, 2006, the Court granted a Motion to Dismiss with respect to the Company s external auditors and a former officer and denied the Motion to Dismiss with respect to the Company and the other individual defendants. On December 12, 2006, the parties stipulated that the case could proceed as a class action with a class comprised of all persons other than Company officers or directors who purchased or otherwise acquired the Company s stock during the class period. The Company entered into a memorandum of understanding effective on May 24, 2007, to settle the Shareholder Securities Litigation in exchange for a payment of $600 million. The Company established a reserve of $600 million for the quarter ended March 31, 2007, and transferred the $600 million into an escrow account on May 25, 2007. On July 31, 2007, the Court preliminarily approved the settlement. On September 17, 2007, the plaintiffs moved for final approval of the settlement and plan of allocation and an award of attorneys fees and expenses. On November 14, 2007, the Court approved the plan of allocation and entered final judgment. On December 31, 2007, the Court granted the plaintiffs motions for attorneys fees and expenses in part.

On July 26, 2007, the Company announced a settlement with the SEC that concluded, with respect to the Company, an SEC investigation relating principally to the Company s financial reporting and disclosures (SEC Investigation). For further information regarding this investigation, see the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2007, as amended. The final judgment entered by a court to resolve this matter, among other things, enjoined the Company from future violations of the federal securities laws and required the Company to pay a civil penalty of $35 million and retain an independent consultant to review certain company policies and procedures. In July 2007, the Company paid the fine.

The settlement proceeds from the Shareholder Securities Litigation and the SEC Investigation were jointly administered and allocated to eligible plan participants. On October 8, 2009, $1,029,567 was deposited into the Syncor International Corporation Employees Savings and Stock Ownership Plan (Syncor ESSOP). On December 22, 2009, the settlement proceeds were allocated to eligible plan participants.

Table of Contents

Notes to Financial Statements (continued)

1. Description of Plan (continued)

ERISA Litigation against Syncor International

A purported class action complaint, captioned *Pilkington v. Cardinal Health, et al.*, was filed on April 8, 2003, against the Company, Syncor and certain officers and employees of the Company by a purported participant in the Syncor International Corporation Employees Savings and Stock Ownership Plan. A related purported class action complaint, captioned *Donna Brown, et al. v. Syncor International Corp, et al.*, was filed on September 11, 2003, against the Company, Syncor and certain individual defendants. Another related purported class action complaint, captioned *Thompson v. Syncor International Corp., et al.*, was filed on January 14, 2004, against the Company, Syncor and certain individual defendants. Each of these actions was brought in the United States District Court for the Central District of California. A consolidated complaint was filed on February 24, 2004 against Syncor and certain former Syncor officers, directors and/or employees alleging that the defendants breached certain fiduciary duties owed under the Employee Retirement Income Security Act (ERISA) based on the same underlying allegations of improper and unlawful conduct alleged in the federal securities litigation (the Syncor ERISA litigation). The consolidated complaint sought unspecified money damages and other unspecified relief against the defendants. On April 26, 2004, the defendants filed motions to dismiss the consolidated complaint. On August 24, 2004, the District Court granted in part and denied in part defendants motions to dismiss. The District Court dismissed, without prejudice, all claims against two individual defendants, all claims alleging co-fiduciary liability against all defendants, and all claims alleging that the individual defendants had conflicts of interest precluding them from properly exercising their fiduciary duties under ERISA. A claim for breach of the duty to prudently manage plan assets against Syncor was not dismissed, and a claim for breach of the alleged duty to monitor the performance of Syncor s Plan Administrative Committee against certain individual defendants was not dismissed.

On January 10, 2006, Syncor and the other parties entered into a term sheet to settle the Syncor ERISA litigation for a cash payment of $4.0 million and payment of an additional amount not to exceed $4.0 million for litigation fees and expenses and reported the settlement to the District Court. Also on January 10, 2006, the District Court entered summary judgment in favor of all defendants on all remaining claims. Consistent with that ruling, on January 11, 2006, the District Court entered a final order dismissing this case and the lead plaintiff appealed this decision to the United States Court of Appeals for the Ninth Circuit. On February 19, 2008, the Court of Appeals entered an order reversing the District Court s dismissal of the plaintiffs claims and remanded the case to the District Court to hold a hearing to review the fairness of the settlement agreement. On June 25, 2008, the parties submitted the settlement agreement to the District Court for preliminary approval. On July 29, 2008, the District Court preliminarily approved the $4.0 million settlement amount, but ordered the parties to revise the attorneys fees to not exceed 33 1/3% of the settlement amount. On October 22, 2008, the District Court entered a final Order approving the settlement and dismissing all claims asserted in the Syncor ERISA litigation against the defendants. In accordance with the final settlement, $2,505,001 (net of administrative expenses) was distributed to the class members individual plan accounts on October 22, 2009. At December 31, 2009, $1,421,928 of the settlement amount remained unallocated. See Note 5 for additional information.

Table of Contents

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Contributions

Prior to July 31, 2003, participant contributions to the Plan consisted of participant elective contributions and Company matching and discretionary profit sharing contributions.

As of August 1, 2003, all active participants in the Plan were permitted to begin participating in another Cardinal Health sponsored retirement plan. In conjunction with this change, participants in the Plan were no longer allowed to make contributions to the Plan.

Participant Accounts

Individual accounts are maintained for past participant and employer contributions. Earnings are allocated to participant account balances on a daily basis. A participant is entitled to the benefit provided from the participant s vested account balance. All amounts in participant accounts are directed by participants in 1% increments, into any of the available investment options.

Vesting

Participants were vested immediately in their elective contributions, plus actual earnings thereon. Vesting in the Company contribution portion of their accounts is based on years of continuous service. Prior to August 1, 2003, the graded vesting schedule provided that a participant was 100% vested after five years of vesting service. On and after August 1, 2003, active participants in the Plan are subject to a cliff vesting schedule providing that a participant is 100% vested after three years of vesting service (with preservation of prior vesting levels, as applicable). Participants are 100% vested at age 65 or in the case of disability or death, as defined.

Forfeitures

Forfeitures are either used to reduce Company contributions to the Plan or to pay reasonable expenses of the Plan, as determined by the Committee.

There were no forfeitures used to reduce Company contributions and pay reasonable expenses during 2009 and 2008. At December 31, 2009 and 2008, forfeited non-vested accounts were $1,950,585 and $1,620,588, respectively.

Administrative Expenses

Administrative expenses are paid by the Company or the Plan, except for loan fees, which are paid by the borrowing participant.

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 less the highest outstanding balance during the prior 12 months or 50% of their vested account balance. Loan terms range from 1 to 5 years or up to 15 years for the purchase of a primary residence. Participant loans are secured by the remaining vested balance in the participant s account and bear interest at a reasonable rate, as established by the Committee, currently Prime plus 1%, set monthly for the life of the loan. Loan repayments, including interest and applicable loan fees, are generally repaid through payroll deductions.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Payment of Benefits

Upon termination of employment, death, retirement or disability, all distributions will be made in the form of a lump-sum payment. In addition, the Plan includes a provision for participants to make withdrawals from their account under certain hardship circumstances or obtaining age 59 1/2, as defined in the Plan document.

Basis of Presentation

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 amended FASB Statement No. 157 (codified as ASC 820) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to its normal market activity. FSP 157-4 also provided additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities to comply with the disclosure requirements of ASC 820. The Plan adopted the guidance in FSP 157-4 for the reporting period ended December 31, 2009. Adoption of FSP 157-4 did not have a material effect on the Plan s net assets available for benefits or its changes in net assets available for benefits.

In May 2009, the FASB issued authoritative guidance included in Accounting Standards Codification (ASC) Subtopic 855, *Subsequent Events*, which incorporates guidance on subsequent events into authoritative accounting literature and clarifies the time following the balance sheet date that must be considered for subsequent events disclosures in the financial statements. The adoption of this guidance, which requires disclosure of the date through which subsequent events have been reviewed, did not change the Plan s procedures for reviewing subsequent events. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-9 to amend ASC Subtopic 855, *Subsequent Events*, to not require disclosure of the date through which management evaluated subsequent events in the financial statements for either originally issued financial statements or reissued financial statements for SEC registrants.

In June 2009, the FASB issued ASC Subtopic 105, *Generally Accepted Accounting Principles*, which reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant SEC guidance that follows the same topical structure in separate sections in the Codification. The historical U.S. GAAP references were changed to comply with the Codification. The adoption of this guidance did not impact the Plan since the Codification is not intended to change or alter existing U.S. GAAP.

Table of Contents

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In September 2009, the FASB issued ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* ASU 2009-12 amended ASC 820 to allow entities to use net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with investment company accounting. The Plan adopted this guidance in ASU 2009-12 for the reporting period ended December 31, 2009 and has utilized the practical expedient to measure the fair value of investments within the scope of this guidance based on the investment s NAV. In addition, as a result of adopting ASU 2009-12, the Plan has provided additional disclosures regarding the nature and risks of investments within the scope of this guidance. Refer to Note 4 for these disclosures. Adoption of ASU 2009-12 did not have a material effect on the Plan s net assets available for benefits or its changes in net assets available for benefits.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements.* ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and required a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclosure information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Plan management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the Plan s financial statements.

Investment Valuation and Income Recognition

In accordance with FASB authoritative guidance included in ASC Subtopic 962, *Defined Contribution Pension Plans*, the Statements of Assets Available for Benefits present investment contracts at fair value as well as an additional line item showing the adjustment of fully benefit-responsive contracts from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis for the fully benefit-responsive investment contracts. Contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

Plan investments are reported at fair value. Fair value is 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. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis using fair market value, except for those investments in investment contracts that are transacted at contract value. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts

This amount represents the difference between fair value and contract value of investment contracts issued by the insurance companies and banks that are considered fully benefit-responsive.

Payment of Benefits

Benefit payments are recorded when paid.

Table of Contents

Notes to Financial Statements (continued)

3. Assets Held in Master Trusts

Certain of the Plan s investments are held in the Main Master Trust, Balanced Master Trust, and Stable Value Master Trust (collectively, the Master Trusts), which were established for the investment of assets of the Plan and several other Company sponsored retirement plans. Each participating plan s interest in the investment funds (i.e., separate accounts) of the Master Trusts are based on account balances of the participants and their elected investment funds. The Master Trusts assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan specific expenses) that can be specifically identified. The Plan s interest in Master Trusts net investment income (loss) presented in the Statements of Changes in Net Assets Available for Benefits consists of the unrealized and realized gains (losses) and the earnings on those investments.

The Stable Value Master Trust invests in guaranteed investment contracts (GICs) and actively managed, structured or synthetic investment contracts (SICs). The GICs are promises by an insurance company to repay principal plus a fixed rate of return through contract maturity. SICs differ from GICs in that there are specific assets supporting the SICs, and these assets are owned by the Plan. The bank or insurance company issues a wrapper contract that allows participant-directed transactions to be made at contract value. The assets supporting the SICs are invested in Wells Fargo fixed income collective trust funds comprised of government agency bonds, corporate bonds, asset-backed securities and collateralized mortgage obligations. The major credit ratings of the issuer or wrapper providers for the GICs and SICs are A+ AAA/A2 Aaa.

Interest crediting rates on the GICs in the Stable Value Master Trust are determined at the time of purchase. Interest crediting rates on the SICs are set at the time of purchase and reset periodically, normally quarterly, based on the market value, duration and yield to maturity of the underlying assets. The crediting interest rate is based on a formula agreed upon with the contract issuer, but may not be less than zero. The crediting interest rates for GICs and SICs ranged from 2.32% to 5.02% and 4.12% to 5.18% at December 31, 2009 and 2008, respectively. To the extent that the underlying portfolio of a security-backed contract has unrealized and/or realized losses that are accounted for, under contract value accounting, through a positive adjustment to contract value, the future crediting rate may be lower over time than then-current market rates. Similarly, if the underlying portfolio generates unrealized and/or realized gains, reflected in a negative adjustment to contract value under contract value accounting, the future crediting rate may be higher than then-current market rates.

For the years ended December 31, 2009 and 2008, the average yield for the investment contracts based on actual earnings was 4.11% and 6.21%, respectively.

For the years ended December 31, 2009 and 2008, the average yield adjusted to reflect the actual interest rate credited to participants was 3.61% and 4.60%, respectively.

Events that may limit the ability of the Plan to transact at contract value are events or conditions the occurrence of which is considered outside the normal operations of the Plan, which the contract issuer determines to be a material adverse financial effect on the issuer s interests such as: 1) Plan disqualification under the Code, 2) establishment of a defined contribution plan by the Company that competes for participant contributions, 3) material amendments to the Plan or administration as to investment options, transfer procedures or withdrawals, 4) Company s inducement to participant to withdraw or transfer funds from the contract, 5) termination or partial termination of the Plan, 6) any group termination, layoff, early retirement incentive program or other downsizing by the Company, 7) merger or consolidation of the Plan with another plan or spin-off of any portion of the Plan s assets to another plan, and 8) any changes in law, regulation, ruling or administrative or judicial position that, in the issuer s reasonable determination, could result in substantial disbursements from the contract. The Committee does not consider that these events are probable in the future.

Table of Contents

Notes to Financial Statements (continued)

3. Assets Held in Master Trusts (continued)

Events that would allow the issuer to terminate the investment contract are: 1) the investment manager or trustee breaches any of its material obligations under the agreement, 2) any representation of the investment manager is or becomes untrue in any material respect, 3) the investment manager with respect to the contract is terminated, unless a qualified professional manager is duly appointed and is agreed to by the issuer, 4) the issuer determines that the execution, delivery or performance of the contract constitutes or will constitute a prohibited transaction, 5) failure to pay amounts due to the issuer, and 6) termination of the plan or disqualification of the trust.

Each investment contract is subject to early termination penalties that may be significant.

The assets in the Master Trusts were as follows:

	December 31, 2009		
	Main Master Trust	Balanced Master Trust	Stable Value Master Trust
Mutual funds	$ 730,380,924	$ 257,620,099	$
Common collective trusts	121,176,223		308,283,871
Common stocks:			
Cardinal Health, Inc.	126,926,879		
CareFusion Corporation	45,543,335		
Guaranteed investment contracts			16,993,426
Cash and pending activity	72,299	(35,277)	(159,774)
Total net assets in Master Trusts at fair value	1,024,099,660	257,584,822	325,117,523
Bank wrappers at fair value			313,449
Adjustment from fair value to contract value			1,512,611
Total net assets in Master Trusts	$ 1,024,099,660	$ 257,584,822	$ 326,943,583
Plan s ownership percentage in:			
Master Trusts	6%	1%	3%
Each investment held of the Master Trusts:			
Mutual funds	6%	1%	
Common collective trusts	4%		3%
Common stocks	12%		
Other	3%	1%	3%

11

Table of Contents

Notes to Financial Statements (continued)

3. Assets Held in Master Trusts (continued)

	December 31, 2008		
	Main Master Trust	**Balanced Master Trust**	**Stable Value Master Trust**
Mutual funds	$ 669,561,340	$ 238,774,965	$
Common collective trusts	117,670,859		341,141,571
Cardinal Health, Inc. common shares	143,078,008		
Guaranteed investment contracts			10,330,400
Cash and pending activity	145,434	488,441	(148,419)
Total net assets in Master Trusts at fair value	930,455,641	239,263,406	351,323,552
Bank wrappers at fair value			456,706
Adjustment from fair value to contract value			27,099,950
Total net assets in Master Trusts	$ 930,455,641	$ 239,263,406	$ 378,880,208
Plan s ownership percentage in:			
Master Trusts	6%	Less than 1%	3%
Each investment held of the Master Trusts:			
Mutual funds	5%	Less than 1%	
Common collective trusts	4%		3%
Cardinal Health, Inc. common shares	11%		
Other	1%	Less than 1%	3%

The investment income (loss) of the Master Trusts was as follows for the years ended:

	December 31, 2009		
	Main Master Trust	**Balanced Master Trust**	**Stable Value Master Trust**
Dividend and interest income	$ 15,665,202	$ 8,793,801	$ 11,721,937
Net appreciation in the fair value of investments as determined by:			
Quoted market price:			
Mutual funds	185,369,087	53,887,140	
Common stocks:			
Cardinal Health, Inc.	30,748,586		
CareFusion Corporation	10,172,149		
	226,289,822	53,887,140	
Estimated fair value:			
Common collective trusts	28,502,461		1,204,251
Net appreciation in the fair value of investments:	254,792,283	53,887,140	1,204,251
Total investment income	$ 270,457,485	$ 62,680,941	$ 12,926,188
Plan s investment income percentage	5%	Less than 1%	3%

Table of Contents

Notes to Financial Statements (continued)

3. Assets Held in Master Trusts (continued)

	December 31, 2008		
	Main Master Trust	**Balanced Master Trust**	**Stable Value Master Trust**
Dividend and interest income	$ 2,116,645	$ 14,681,154	$ 16,233,291
Net (depreciation) appreciation in the fair value of investments as determined by:			
Quoted market price:			
Mutual funds	(390,465,792)	(87,679,355)	
Cardinal Health, Inc. common shares	(93,359,717)		
	(483,825,509)	(87,679,355)	
Estimated fair value:			
Common collective trusts	(70,881,606)		1,367,424
Net (depreciation) appreciation in the fair value of investments:	(554,707,115)	(87,679,355)	1,367,424
Total investment (loss) income	$ (552,590,470)	$ (72,998,201)	$ 17,600,715
Plan s investment (loss) income percentage	6%	Less than 1%	3%

13

Table of Contents

Notes to Financial Statements (continued)

4. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at measured fair value.

Mutual funds and common shares market values are determined by quoted market prices reported on the active market on which they are traded.

The common collective trusts (CCTs) are designed to deliver safety and stability by preserving principal and accumulating earnings. The CCTs are valued at the respective net asset values (NAV) as reported by such trusts, which are reported at fair value. The fair value has been determined by the trustee sponsoring the common collective trust by dividing the trust s net asset at fair value by its units outstanding at the valuation dates. The trustee sponsoring the common collective trusts has estimated the fair value of those common collective trusts investing in investment contracts with insurance companies and banks. There are no restrictions as to the redemption of these investments nor does the Plan have any contractual obligations to further invest in any of these CCTs. The fair value of investment contracts and contract wrappers issued by insurance companies and banks is estimated based on discounting the related cash flows. See Note 3 for more information.

Participant loans are valued based on the remaining unpaid principal balance, plus any accrued but unpaid interest, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Table of Contents

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the assets in the Master Trusts at fair value as of December 31, 2009 and 2008. The following table does not include the Plan s interest in participant loans because that information is disclosed separately below:

	December 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Large cap	$ 371,762,118	$	$	$ 371,762,118
Income	235,978,052			235,978,052
International	172,468,470			172,468,470
Small cap	111,452,766			111,452,766
Mid-cap	94,705,445			94,705,445
Short term	1,634,172			1,634,172
Total mutual funds	988,001,023			988,001,023
Common collective trusts		429,460,094		429,460,094
Common stocks:				
Cardinal Health, Inc. common shares	126,926,879			126,926,879
CareFusion Corp. common shares	45,543,335			45,543,335
Total common stocks	172,470,214			172,470,214
Guaranteed investment contracts		16,993,426		16,993,426
Bank wrappers			313,449	313,449
Cash and pending activity		(122,752)		(122,752)
Total assets at fair value	$ 1,160,471,237	$ 446,330,768	$ 313,449	$ 1,607,115,454

	December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Large cap	$ 327,677,905	$	$	$ 327,677,905
Income	230,253,297			230,253,297
International	162,503,015			162,503,015
Small cap	95,266,084			95,266,084
Mid-cap	92,594,918			92,594,918
Short term	41,086			41,086
Total mutual funds	908,336,305			908,336,305
Common collective trusts		458,812,430		458,812,430
Cardinal Health, Inc. common shares	143,078,008			143,078,008
Guaranteed investment contracts		10,330,400		10,330,400
Bank wrappers			456,706	456,706

Cash and pending activity		485,456		485,456
Total assets at fair value	$ 1,051,414,313	$ 469,628,286	$ 456,706	$ 1,521,499,305

15

Table of Contents

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the fair value of the Plan s assets not part of the Master Trusts as of December 31, 2009 and 2008:

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Participant loans, net	$	$	$ 2,093,205	$ 2,093,205
Total assets at fair value	$	$	$ 2,093,205	$ 2,093,205

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
Participant loans, net	$	$	$ 1,912,365	$ 1,912,365
Total assets at fair value	$	$	$ 1,912,365	$ 1,912,365

The following table sets forth a summary of changes in the fair value of the Plan s level 3 assets (participant loans) and the Stable Value Fund Master Trust s level 3 assets (bank wrappers) for the years ended December 31, 2009 and 2008:

	2009	
	Participant loans, net	Bank wrappers
Balance, beginning of year	$ 1,912,365	$ 456,706
Unrealized losses		(143,257)
Change in reserve for defaulted participant loans	25,101	
Purchases, sales, issuances, and settlements (net)	155,739	
Balance, end of year	$ 2,093,205	$ 313,449

	2008	
	Participant loans, net	Bank wrappers
Balance, beginning of year	$ 2,128,325	$ (17,431)
Unrealized gains		474,137
Change in reserve for defaulted participant loans	(4,756)	
Purchases, sales, issuances, and settlements (net)	(211,204)	
Balance, end of year	$ 1,912,365	$ 456,706

Table of Contents

Notes to Financial Statements (continued)

5. Nonparticipant-Directed Investments

Information about the net assets and significant components of the changes in net assets relating to the nonparticipant-directed investment is as follows:

	December 31 2009	2008
Net assets:		
Fidelity Money Market Fund	$ 1,421,928	$
	$ 1,421,928	$

	Year Ended December 31, 2009	Year Ended December 31, 2008
Changes in net assets:		
ERISA litigation settlement with the Plan Sponsor	$ 1,421,426	$
Interest Income	502	
	$ 1,421,928	$

6. Income Tax Status

The underlying non-standardized prototype plan has received an opinion letter from the Internal Revenue Service (IRS) dated March 31, 2008, stating that the form of the plan is qualified under Section 401(a) of the Internal Revenue Code, and therefore, the related trust is tax exempt. In accordance with Revenue Procedure 2009-6 and Announcement 2005-16, the Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Table of Contents

Notes to Financial Statements (continued)

9. Parties-in-Interest

Certain Plan investments held by the Main Master Trust at December 31, 2009 and 2008, were shares of mutual funds managed by Fidelity. Fidelity serves as the trustee as defined by the Plan, and, therefore, transactions involving these funds are considered party-in-interest transactions.

The Plan s holdings of $14,894,649 and $16,421,837 of Cardinal Health, Inc. common shares were held by the Main Master Trust at December 31, 2009 and 2008, respectively. The Plan held $5,436,641 of CareFusion Corporation common shares in the Main Master Trust at December 31, 2009.

10. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31	
	2009	**2008**
Net assets available for benefits per the financial statements	$ 82,353,899	$ 65,623,144
Adjustment from fair value to contract value for certain fully benefit- responsive investment contracts*	(92,006)	(804,290)
Net assets available for benefits per Form 5500	$ 82,261,893	$ 64,818,854

*Amount differs from the adjustment presented on the Statement of Net Assets Available for Benefits as CCTs and SICs held by the Plan are recorded at fair value for 5500 purposes while they are recorded at contract value for financial statement purposes.

The following is a reconciliation of the net decrease in net assets available for benefits per the financial statements to the Form 5500:

	2009	**2008**
Net increase (decrease) in assets per the financial statements	$ 16,730,755	$ (38,870,605)
Net investment income (loss) difference between fair value and contract value	712,284	(854,827)
Amounts allocated to withdrawing participants prior year		11,489
Net income (loss) per Form 5500	$ 17,443,039	$ (39,713,943)

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment on or prior to December 31, but not yet paid at that date.

The following is a reconciliation of the benefits paid to participants per the financial statements to the Form 5500:

	2009	**2008**
Benefits paid to participants per the financial statements	$ 3,805,332	$ 7,528,829
Amounts allocated to withdrawing participants prior year		(11,489)

Benefits paid to participants per Form 5500	$ 3,805,332	$ 7,517,340

18

Table of Contents

Notes to Financial Statements (continued)

10. Subsequent Events

Effective May 28, 2010, the Plan was merged into the Company s 401(k) Savings Plan, as permitted by the plan document.

19

Table of Contents

Syncor International Corporation Employees Savings and Stock Ownership Plan

Schedule H, Part IV, Line 4i on Form 5500: Schedule of Assets (Held at End of Year) *

December 31, 2009

EIN: 85-0229124 Plan Number: 002

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, maturity or par value	(e) Current value
	Loans:		
**	Participant loans	Interest rates ranging from 4.25% to 11.5% with varying maturity dates through 2024	$ 2,093,205
	Total		$ 2,093,205

* Other columns required by the U.S. Department of Labor s Annual Reporting and Disclosure Requirements under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

** Denotes party-in-interest

20

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Plan Committee have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNCOR INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK
OWNERSHIP PLAN

Date: June 28, 2010

/s/ Monica Foster
Monica Foster
Financial Benefit Plans Committee Member