

CINTAS CORP
Form 10-Q
January 08, 2010
Table of Contents

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended November 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number 0-11399

CINTAS CORPORATION

(Exact name of Registrant as specified in its charter)

WASHINGTON
(State or other jurisdiction of
incorporation or organization)

31-1188630
(I.R.S. Employer
Identification No.)

6800 CINTAS BOULEVARD

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P.O. BOX 625737

CINCINNATI, OHIO 45262-5737

(Address of principal executive offices)

(Zip Code)

(513) 459-1200

(Registrant's telephone number, including area code)

Indicate by checkmark 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 No

Indicate by a checkmark whether the Registrant has submitted electronically and posted on its corporate website, 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 No

Indicate by checkmark 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. (Check one):

Large Accelerated Filer Accelerated Filer Smaller Reporting Company

Non-Accelerated Filer (Do not check if a smaller reporting company)

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, no par value

Outstanding December 31, 2009
152,869,220

Table of Contents

CINTAS CORPORATION

TABLE OF CONTENTS

| | <u>Page No.</u> |
|--------------------------------------|---|
| Part I. Financial Information | |
| <u>Item 1.</u> | <u>Financial Statements.</u> |
| | <u>Consolidated Condensed Statements of Income</u> <u>Three Months and Six Months Ended November 30, 2009 and 2008</u> |
| | 3 |
| | <u>Consolidated Condensed Balance Sheets</u> <u>November 30, 2009 and May 31, 2009</u> |
| | 4 |
| | <u>Consolidated Condensed Statements of Cash Flows</u> <u>Six Months Ended November 30, 2009 and 2008</u> |
| | 5 |
| | <u>Notes to Consolidated Condensed Financial Statements</u> |
| | 6 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial</u> <u>Condition and Results of Operations.</u> |
| | 25 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About</u> <u>Market Risk.</u> |
| | 34 |
| <u>Item 4.</u> | <u>Controls and Procedures.</u> |
| | 35 |
| Part II. Other Information | |
| <u>Item 1.</u> | <u>Legal Proceedings.</u> |
| | 36 |
| <u>Item 4.</u> | <u>Submission of Matters to a Vote of Security Holders.</u> |
| | 36 |
| <u>Item 6.</u> | <u>Exhibits.</u> |
| | 37 |
| <u>Signatures</u> | 37 |
| <u>Exhibits</u> | |

Table of Contents

CINTAS CORPORATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

(In thousands except per share data)

| | Three Months Ended November 30, | | Six Months Ended November 30, | |
|--|------------------------------------|-----------|----------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue: | | | | |
| Rental uniforms and ancillary products | \$643,597 | \$711,454 | \$1,299,235 | \$1,432,827 |
| Other services | 240,912 | 273,730 | 476,843 | 554,536 |
| | 884,509 | 985,184 | 1,776,078 | 1,987,363 |
| Costs and expenses: | | | | |
| Cost of rental uniforms and ancillary products | 363,728 | 401,614 | 726,657 | 808,904 |
| Cost of other services | 150,934 | 168,570 | 296,779 | 338,376 |
| Selling and administrative expenses | 259,406 | 284,608 | 523,833 | 571,903 |
| Legal settlements, net of insurance proceeds | 4,052 | --- | 23,529 | --- |
| Operating income | 106,389 | 130,392 | 205,280 | 268,180 |
| Interest income | (314) | (830) | (673) | (1,895) |
| Interest expense | 12,579 | 12,768 | 24,617 | 25,799 |
| Income before income taxes | 94,124 | 118,454 | 181,336 | 244,276 |
| Income taxes | 36,948 | 46,616 | 70,176 | 93,802 |
| Net income | \$ 57,176 | \$ 71,838 | \$ 111,160 | \$ 150,474 |
| Basic earnings per share | \$ 0.37 | \$ 0.47 | \$ 0.72 | \$ 0.98 |
| Diluted earnings per share | \$ 0.37 | \$ 0.47 | \$ 0.72 | \$ 0.98 |

See accompanying notes.

Table of Contents

CINTAS CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands except share data)

| | November 30, 2009 (Unaudited) | May 31, 2009 |
|---|----------------------------------|--------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 342,014 | \$ 129,745 |
| Marketable securities | 138,226 | 120,393 |
| Accounts receivable, net | 377,151 | 357,678 |
| Inventories, net | 166,373 | 202,351 |
| Uniforms and other rental items in service | 329,561 | 335,447 |
| Income taxes, current | 8,906 | 25,512 |
| Deferred income tax asset | 69,558 | 66,368 |
| Prepaid expenses | 17,637 | 17,035 |
| Assets held for sale | 15,744 | 15,744 |
| Total current assets | 1,465,170 | 1,270,273 |
| Property and equipment, at cost, net | 888,005 | 914,627 |
| Goodwill | 1,334,773 | 1,331,388 |
| Service contracts, net | 110,104 | 124,330 |
| Other assets, net | 88,296 | 80,333 |
| | \$3,886,348 | \$3,720,951 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 73,574 | \$ 69,965 |
| Accrued compensation and related liabilities | 46,872 | 48,414 |
| Accrued liabilities | 224,526 | 198,488 |
| Long-term debt due within one year | 588 | 598 |
| Total current liabilities | 345,560 | 317,465 |
| Long-term liabilities: | | |
| Long-term debt due after one year | 785,748 | 786,058 |
| Deferred income taxes | 157,143 | 149,032 |
| Accrued liabilities | 101,812 | 100,987 |
| Total long-term liabilities | 1,044,703 | 1,036,077 |
| Shareholders' equity: | | |
| Preferred stock, no par value: | | |
| 100,000 shares authorized, none outstanding | ---- | ---- |
| Common stock, no par value: | | |
| 425,000,000 shares authorized, | | |
| FY 2010: 173,206,493 issued and 152,869,220 outstanding | | |
| FY 2009: 173,085,926 issued and 152,790,170 outstanding | 132,034 | 129,215 |
| Paid-in capital | 77,116 | 72,364 |

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| | | |
|--|-------------|-------------|
| Retained earnings | 3,049,579 | 2,938,419 |
| Treasury stock: | | |
| FY 2010: 20,337,273 shares | | |
| FY 2009: 20,295,756 shares | (798,847) | (797,888) |
| Other accumulated comprehensive income | 36,203 | 25,299 |
| Total shareholders' equity | 2,496,085 | 2,367,409 |
| | \$3,886,348 | \$3,720,951 |

See accompanying notes.

Table of Contents

CINTAS CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

| | Six Months Ended | |
|---|----------------------|----------------------|
| | November 30, 2009 | November 30, 2008 |
| <u>Cash flows from operating activities:</u> | | |
| Net income | \$111,160 | \$150,474 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 75,899 | 78,372 |
| Amortization of deferred charges | 20,568 | 21,522 |
| Stock-based compensation | 7,571 | 6,911 |
| Deferred income taxes | 4,777 | (1,840) |
| Change in current assets and liabilities, net of acquisitions of businesses: | | |
| Accounts receivable, net | (12,843) | (8,064) |
| Inventories, net | 34,874 | (15,169) |
| Uniforms and other rental items in service | 5,495 | (6,237) |
| Prepaid expenses | (568) | (3,799) |
| Accounts payable | 6,914 | (509) |
| Accrued compensation and related liabilities | (1,646) | (8,685) |
| Accrued liabilities and other | 25,246 | (16,400) |
| Income taxes payable | 16,728 | (21,435) |
| Net cash provided by operating activities | 294,175 | 175,141 |
| <u>Cash flows from investing activities:</u> | | |
| Capital expenditures | (48,092) | (95,957) |
| Proceeds from sale or redemption of marketable securities | 25,852 | 61,662 |
| Purchase of marketable securities and investments | (53,060) | (23,222) |
| Acquisitions of businesses, net of cash acquired | (6,601) | (18,331) |
| Other, net | 1,053 | 353 |
| Net cash used in investing activities | (80,848) | (75,495) |
| <u>Cash flows from financing activities:</u> | | |
| Proceeds from issuance of debt | ---- | 7,500 |
| Repayment of debt | (321) | (80,749) |
| Exercise of stock-based compensation awards | 2,819 | ---- |
| Repurchase of common stock | (959) | (25,847) |
| Other, net | (3,536) | 413 |
| Net cash used in financing activities | (1,997) | (98,683) |
| Effect of exchange rate changes on cash and cash equivalents | 939 | (4,774) |
| Net increase (decrease) in cash and cash equivalents | 212,269 | (3,811) |
| Cash and cash equivalents at beginning of period | 129,745 | 66,224 |

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Cash and cash equivalents at end of period

\$342,014

\$ 62,413

See accompanying notes.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

1. Basis of Presentation

The consolidated condensed financial statements of Cintas Corporation (Cintas) included herein have been prepared by Cintas, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. While we believe that the disclosures are adequately presented, it is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and notes included in our Form 10-K for the fiscal year ended May 31, 2009. A summary of our significant accounting policies is presented beginning on page 38 of that report. There have been no material changes in the accounting policies followed by Cintas during the fiscal year.

Interim results are subject to variations and are not necessarily indicative of the results of operations for a full fiscal year. In the opinion of management, adjustments (which include only normal recurring adjustments) necessary for a fair statement of the consolidated results of the interim periods shown have been made.

2. New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 30, 2009. The ASC is an aggregation of previously issued authoritative GAAP in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been removed. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The following is a list of recent pronouncements issued by the FASB.

Effective June 1, 2008, Cintas adopted fair value measurements guidance for financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Effective June 1, 2009, Cintas adopted fair value measurements guidance for all nonfinancial assets and nonfinancial liabilities recognized or disclosed at fair value on a nonrecurring basis. The guidance defines fair value, establishes guidance for measuring fair value and expands disclosures regarding fair value measurements. The adoptions did not have a material impact on our consolidated financial statements. See Note 4 entitled Fair Value Measurements for additional information.

Effective June 1, 2009, Cintas adopted new guidance on business combinations, in which an entity is required to recognize assets acquired, liabilities assumed, contractual contingencies and contingent consideration at fair value on the acquisition date. It further requires that

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acquisition-related costs are recognized separately from the acquisition and expensed as incurred, restructuring costs generally are expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. This adoption did not have a material impact on Cintas' results of operations or financial condition. Any future effects will depend upon the terms and size of future acquisitions.

Effective June 1, 2009, Cintas adopted new guidance for determining whether instruments granted in share-based payment transactions are participating securities. This guidance provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method of determining earnings per share. The adoption did not have a material impact on basic or diluted earnings per share. Cintas' adoption is more fully described in Note 5 entitled Earnings per Share.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

Effective June 1, 2009, Cintas adopted new guidance on subsequent events. The objective of this guidance is to establish general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued or are available to be issued. Cintas has evaluated and disclosed any subsequent events through January 8, 2010, which is the date of filing of the Form 10-Q. This adoption did not have a material impact on Cintas' results of operations or financial condition.

3. Restructuring and Related Activity

Due to declining economic conditions during fiscal 2009 which negatively impacted the U.S. and Canadian economies and Cintas' businesses, during the fourth quarter of fiscal 2009, management initiated certain restructuring activities to eliminate excess capacity and reduce our cost structure. These activities include closing or converting to branches 16 of our rental processing plants and reducing our workforce by approximately 1,200 employees. We expect these restructuring activities to be completed by May 31, 2010.

A progression of our restructuring liability balance, primarily recorded in accrued compensation and related liabilities, at November 30, 2009, is as follows:

| | Employee Termination Costs | Other Exit Costs | Total |
|---------------------------------|----------------------------------|---------------------|----------|
| Balance as of June 1, 2009 | \$ 5,915 | \$ 2,272 | \$ 8,187 |
| Cash paid - fiscal 2010 | (3,005) | (12) | (3,017) |
| Balance as of November 30, 2009 | \$ 2,910 | \$ 2,260 | \$ 5,170 |

Cash paid during the three months ended November 30, 2009, was \$1,300.

4. Fair Value Measurements

FASB ASC defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It

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also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. These assets measured at fair value on a recurring basis are summarized below:

| | As of November 30, 2009 | | | <u>Fair Value</u> |
|---------------------------------|-------------------------|----------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Cash and cash equivalents | \$342,014 | \$ ---- | \$ ---- | \$342,014 |
| Marketable securities | 118,245 | 19,981 | ---- | 138,226 |
| Other assets, net | 29,532 | ---- | ---- | 29,532 |
| Total assets at fair value | \$489,791 | \$19,981 | \$ ---- | \$509,772 |
| Current accrued liabilities | \$ ---- | \$ 333 | \$ ---- | \$ 333 |
| Total liabilities at fair value | \$ ---- | \$ 333 | \$ ---- | \$ 333 |
| | As of May 31, 2009 | | | <u>Fair Value</u> |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Cash and cash equivalents | \$129,745 | \$ ---- | \$ ---- | \$129,745 |
| Marketable securities | 120,393 | ---- | ---- | 120,393 |
| Accounts receivable, net | ---- | 78 | ---- | 78 |
| Other assets, net | 17,105 | ---- | ---- | 17,105 |
| Total assets at fair value | \$267,243 | \$ 78 | \$ ---- | \$267,321 |
| Current accrued liabilities | \$ ---- | \$ 253 | \$ ---- | \$ 253 |
| Total liabilities at fair value | \$ ---- | \$ 253 | \$ ---- | \$ 253 |

As of November 30, 2009, all marketable securities are concentrated in the U.S. and Canada and consist primarily of Canadian treasury securities and U.S. municipal bonds. The funds invested in Canadian marketable securities are not expected to be repatriated, but instead are expected to be invested indefinitely in foreign subsidiaries. The amortized cost basis of the marketable securities as of November 30, 2009 and May 31, 2009, is \$138,207 and \$120,403, respectively. All contractual maturities of the marketable securities held at November 30, 2009, are within one year.

Other assets, net, include certain retirement assets. Current accrued liabilities include foreign currency forward contracts.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

5. Earnings per Share

As described in Note 2 entitled New Accounting Pronouncements, Cintas adopted new guidance for determining whether instruments granted in share-based payment transactions are participating securities on June 1, 2009, using the retrospective method. The retrospective application had no impact on the basic and diluted earnings per share for the three months or six months ended November 30, 2008. The following table sets forth the computation of basic and diluted earnings per share using the two-class method for amounts attributable to Cintas common shares.

| | Three Months Ended November 30, | | Six Months Ended November 30, | |
|---|------------------------------------|----------|----------------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| <u>Basic Earnings per Share</u> | | | | |
| Net income | \$57,176 | \$71,838 | \$111,160 | \$150,474 |
| Less: net income allocated to participating unvested securities | 226 | 154 | 362 | 270 |
| Net income available to common shareholders | \$56,950 | \$71,684 | \$110,798 | \$150,204 |
| Basic weighted average common shares outstanding | 152,866 | 152,788 | 152,847 | 153,093 |
| Basic earnings per share | \$ 0.37 | \$ 0.47 | \$ 0.72 | \$ 0.98 |
| <u>Diluted Earnings per Share</u> | | | | |
| Net income | \$57,176 | \$71,838 | \$111,160 | \$150,474 |
| Less: net income allocated to participating unvested securities | 226 | 154 | 362 | 270 |
| Net income available to common shareholders | \$56,950 | \$71,684 | \$110,798 | \$150,204 |
| Basic weighted average common shares outstanding | 152,866 | 152,788 | 152,847 | 153,093 |
| Effect of dilutive securities - employee stock options | ---- | ---- | ---- | ---- |
| Diluted weighted average common shares outstanding | 152,866 | 152,788 | 152,847 | 153,093 |
| Diluted earnings per share | \$ 0.37 | \$ 0.47 | \$ 0.72 | \$ 0.98 |

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For the three months ended November 30, 2009 and 2008, 3,556 and 5,949 options granted to purchase shares of Cintas common stock were excluded from the computation of diluted earnings per share. For the six months ended November 30, 2009 and 2008, 4,442 and 5,192 options granted to purchase shares

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

of Cintas common stock were excluded from the computation of diluted earnings per share. The exercise prices of these options were greater than the average market price of the common shares (anti-dilutive).

6. Goodwill, Service Contracts and Other Assets

Changes in the carrying amount of goodwill and service contracts for the six months ended November 30, 2009, by operating segment, are as follows:

| | Rental Uniforms & Ancillary Products | Uniform Direct Sales | First Aid, Safety & Fire Protection | Document Management | Total |
|---------------------------------|---|----------------------------|--|------------------------|-------------|
| <u>Goodwill</u> | | | | | |
| Balance as of June 1, 2009 | \$861,879 | \$23,891 | \$166,872 | \$278,746 | \$1,331,388 |
| Goodwill acquired, net | (564) | --- | 655 | 1,794 | 1,885 |
| Foreign currency translation | 527 | 30 | --- | 943 | 1,500 |
| Balance as of November 30, 2009 | \$861,842 | \$23,921 | \$167,527 | \$281,483 | \$1,334,773 |
| <u>Service Contracts</u> | | | | | |
| Balance as of June 1, 2009 | \$65,897 | \$ --- | \$36,042 | \$22,391 | \$124,330 |
| Service contracts acquired | --- | --- | 385 | 848 | 1,233 |
| Service contracts amortization | (9,379) | (12) | (3,044) | (3,918) | (16,353) |
| Foreign currency translation | 738 | 12 | --- | 144 | 894 |
| Balance as of November 30, 2009 | \$57,256 | \$ --- | \$33,383 | \$19,465 | \$110,104 |

Information regarding Cintas service contracts and other assets are as follows:

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

| | Carrying Amount | As of November 30, 2009 Accumulated Amortization | Net |
|--------------------------------------|--------------------|--|-----------|
| Service contracts | \$337,599 | \$227,495 | \$110,104 |
| Noncompete and consulting agreements | \$ 65,195 | \$ 48,578 | \$ 16,617 |
| Investments | 64,895 | ---- | 64,895 |
| Other | 10,638 | 3,854 | 6,784 |
| Total | \$140,728 | \$ 52,432 | \$ 88,296 |

| | Carrying Amount | As of May 31, 2009 Accumulated Amortization | Net |
|--------------------------------------|--------------------|---|-----------|
| Service contracts | \$335,473 | \$211,143 | \$124,330 |
| Noncompete and consulting agreements | \$ 65,683 | \$ 44,320 | \$ 21,363 |
| Investments | 51,762 | ---- | 51,762 |
| Other | 10,675 | 3,467 | 7,208 |
| Total | \$128,120 | \$ 47,787 | \$ 80,333 |

Amortization expense was \$20,568 and \$21,522 for the six months ended November 30, 2009 and November 30, 2008, respectively. Estimated amortization expense, excluding any future acquisitions, for each of the next five years is \$39,606, \$35,579, \$29,228, \$13,541 and \$10,885, respectively.

Investments recorded using the cost or equity method are evaluated for impairment when indicators of impairment are identified. For the six months ended November 30, 2009, no losses due to impairment were recorded.

7. Debt, Derivatives and Hedging Activities

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Cintas has certain covenants related to debt agreements. These covenants limit Cintas' ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets. These covenants also require Cintas to maintain certain debt to capitalization and interest coverage ratios. Cross default provisions exist between certain debt agreements. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital. Cintas is in compliance with all significant debt covenants for all periods presented.

Cintas at times may use hedges to hedge its exposure to such things as movements in interest rates or movements in foreign currency rates. Cintas formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The impacts from the effective portion of derivative instruments are reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. The impacts of any ineffective portion of the hedges are charged to earnings in the current period. When outstanding, the effectiveness of derivative instruments is reviewed at least every fiscal quarter.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

To hedge the exposure of variability in short-term interest rates, Cintas would use cash flow hedges. These agreements effectively convert a portion of the floating rate long-term debt to a fixed rate basis, thus reducing the impact of short-term interest rate changes on future interest expense. Examples of cash flow hedging instruments that Cintas may use are interest rate swaps, interest rate lock agreements and forward starting interest rate swaps. No such instruments were outstanding as of November 30, 2009.

Cintas used interest rate lock agreements to hedge against movements in the treasury rates at the time Cintas issued its senior notes in fiscal 2002, fiscal 2007 and fiscal 2008. The amortization of the interest rate lock agreements resulted in an increase to other comprehensive income of \$191 for both the three months ended November 30, 2009 and November 30, 2008, respectively, and \$383 for both the six months ended November 30, 2009 and November 30, 2008, respectively.

To hedge the exposure of movements in the foreign currency rates, Cintas uses foreign currency hedges. These hedges would reduce the impact on cash flows from movements in the foreign currency exchange rates. Examples of foreign currency hedge instruments that Cintas may use are average rate options and forward contracts. At November 30, 2009, Cintas had accrued \$333 for the liabilities related to its average rate options which is included in current accrued liabilities. These instruments increased foreign currency exchange costs by \$114 and \$131 during the three months and six months ended November 30, 2009, respectively.

8. Income Taxes

In the normal course of business, Cintas provides for uncertain tax positions and the related interest and adjusts its unrecognized tax benefits and accrued interest accordingly. During the six months ended November 30, 2009, unrecognized tax benefits decreased by approximately \$2,018 and accrued interest increased by approximately \$2,698.

All U.S. federal income tax returns are closed to audit through fiscal 2005. Cintas is currently in advanced stages of audits in certain foreign jurisdictions and certain domestic states. The years under audit cover fiscal years back to 2000. Based on the resolution of the various audits, it is reasonably possible that the balance of unrecognized tax benefits could decrease by \$714 for the fiscal year ending May 31, 2010.

9. Comprehensive Income

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Total comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders and, as such, includes net income. For Cintas, the only components of total comprehensive income are the change in cumulative foreign currency translation adjustments, the change in the fair value of derivatives, the amortization of interest rate lock agreements and the change in the fair value of available-for-sale securities. The components of comprehensive income for the three and six month periods ended November 30, 2009, and November 30, 2008, are as follows:

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

| | Three Months Ended November 30, | | Six Months Ended November 30, | |
|---|------------------------------------|----------|----------------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Net income | \$57,176 | \$71,838 | \$111,160 | \$150,474 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | 9,797 | (41,862) | 10,526 | (61,675) |
| Change in fair value of derivatives* | (92) | 214 | (23) | 214 |
| Amortization of interest rate lock agreements | 191 | 191 | 383 | 383 |
| Change in fair value of available-for-sale securities** | 31 | 139 | 18 | 156 |
| Comprehensive income | \$67,103 | \$30,520 | \$122,064 | \$ 89,552 |

* Net of \$(55) and \$126 of tax expense (benefit) for the three months ended November 30, 2009 and November 30, 2008, respectively. Net of \$(14) and \$126 of tax expense (benefit) for the six months ended November 30, 2009 and November 30, 2008, respectively.

** Net of \$18 and \$(30) of tax expense (benefit) for the three months ended November 30, 2009 and November 30, 2008, respectively. Net of \$11 and \$(30) of tax expense (benefit) for the six months ended November 30, 2009 and November 30, 2008, respectively.

10. Litigation and Other Contingencies

Cintas is subject to legal proceedings, insurance receipts, legal settlements and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions will not have a material adverse effect on the financial position or results of operation of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business, including the litigation discussed below.

Cintas is a defendant in a purported class action lawsuit, *Mirna E. Serrano, et al. v. Cintas Corporation (Serrano)*, filed on May 10, 2004, and pending in the United States District Court, Eastern District of Michigan, Southern Division. The *Serrano* plaintiffs alleged that Cintas discriminated against women in hiring into various service sales representative positions across all divisions of Cintas. On November 15, 2005, the Equal Employment Opportunity Commission (EEOC) intervened in the *Serrano* lawsuit. The *Serrano* plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. On October 27, 2008, the United States District Court in the Eastern District of Michigan granted summary judgment in favor of Cintas limiting the scope of the putative class in the *Serrano* lawsuit to female applicants for service sales representative positions at Cintas locations within the state of Michigan. Consequently, all claims brought by female applicants for service sales representative positions outside of the state of Michigan were dismissed. Similarly, any claims brought by the EEOC on behalf of similarly situated female applicants outside of the state of Michigan have also been dismissed from the *Serrano* lawsuit. Cintas is a defendant in another purported class action lawsuit, *Blanca Nelly Avalos, et al. v. Cintas Corporation (Avalos)*, currently pending in

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the United States District Court, Eastern District of Michigan, Southern Division. The *Avalos* plaintiffs alleged that Cintas discriminated against women, African Americans and Hispanics in hiring into various service sales representative positions in Cintas Rental division only throughout the United States. The *Avalos* plaintiffs sought injunctive relief, compensatory damages, punitive damages, attorneys fees and other remedies. The claims in *Avalos* originally were brought in the lawsuit captioned *Robert Ramirez, et al. v. Cintas Corporation (Ramirez)*,

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division. On May 11, 2006, the *Ramirez* and *Avalos* African American, Hispanic and female failure to hire into service sales representative positions claims and the EEOC's intervention were consolidated for pretrial purposes with the *Serrano* case and transferred to the United States District Court for the Eastern District of Michigan, Southern Division. The consolidated case was known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation (Serrano/Avalos)*. On March 31, 2009, the United States District Court, Eastern District of Michigan, Southern Division entered an order denying class certification to all plaintiffs in the *Serrano/Avalos* lawsuits. In the *Serrano* case, the three individual claims of Mirna Serrano, Stephanie McVay and Linda Allen, and the EEOC's claim of pattern or practice discrimination remain pending. In the *Avalos* case, the individual gender claims of Tanesha Davis remain pending. On December 17, 2009, Davis voluntarily dismissed her claims for race discrimination with prejudice. The Court has made no determination regarding the merits of Davis' gender claims.

On February 24, 2006, a motion to intervene in *Serrano* was filed by intervening plaintiffs Colleen Grindle, et al., on behalf of a subclass of female employees at Cintas' Perrysburg, Ohio, rental location who allegedly were denied hire, promotion, or transfer to service sales representative positions. On March 24, 2006, the plaintiffs Colleen Grindle, et al., withdrew their motion to intervene without prejudice. On February 20, 2007, the plaintiffs Colleen Grindle, et al., filed a separate lawsuit in the Court of Common Pleas, Wood County, Ohio, captioned *Colleen Grindle, et al. v. Cintas Corporation (Grindle)*, on behalf of a class of female employees at Cintas' Perrysburg, Ohio, location who allegedly were denied hire, promotion, or transfer to service sales representative positions on the basis of their gender. The *Grindle* plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. On May 19, 2009, the *Grindle* plaintiffs dismissed their class action allegations. On December 17, 2009, the individual claims of Colleen Grindle, Ruth Richardson and Dawn Stevenson were dismissed with prejudice pursuant to a legal settlement.

The litigation discussed above, if decided or settled adversely to Cintas, may, individually or in the aggregate, result in liability material to Cintas' consolidated financial condition or results of operation and could increase costs of operations on an ongoing basis. Any estimated liability relating to these proceedings is not determinable at this time. Cintas may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements if it believes such settlement is in the best interest of Cintas' shareholders.

Cintas is a defendant in a purported class action lawsuit, *Paul Veliz, et al. v. Cintas Corporation (Veliz)*, filed on March 19, 2003, in the United States District Court, Northern District of California, Oakland Division, alleging that Cintas violated certain federal and state wage and hour laws applicable to its service sales representatives, whom Cintas considers exempt employees, and asserting additional related ERISA claims. On April 5, 2004 and February 14, 2006, the Court stayed the claims of all plaintiffs with valid arbitration agreements pending arbitration of those claims. Claims made in the *Veliz* action therefore are pending before the United States District Court, Northern District of California and Judge Bruce Meyerson (Ret.), an Arbitrator selected by the parties. On August 5, 2009, the parties in the *Veliz* action reached a settlement in principle. When the settlement is fully documented and approved by the Court, the settlement will resolve all claims now pending or that could have been brought relating to the subject matter of the case before the Court and the Arbitrator. Cintas expects that the approval process will take several months. The principal terms of the settlement provide for an aggregate cash payment of approximately \$23,950 which is accrued in current accrued liabilities at November 30, 2009. The pre-tax impact, net of insurance proceeds, was \$19,477.

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On August 26, 2009, the parties in a case filed on July 17, 2008, by the Manville Personal Injury Settlement Trust against certain directors and officers of Cintas, reached a settlement. The amount of the settlement was \$475 and will be paid by Cintas' insurance carrier. On November 24, 2009, the court granted final approval of the settlement.

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

During the second quarter of fiscal 2010, Cintas had legal settlements that totaled \$4,052, net of insurance proceeds. None of these settlements were significant individually. These settlements included litigation related to multiple subjects including employment practices and insurance coverage.

11. Segment Information

Cintas classifies its businesses into four operating segments. The Rental Uniforms and Ancillary Products operating segment reflects the rental and servicing of uniforms and other garments and facility products and services including mats, mops, shop towels and other ancillary items. In addition to these rental items, other facility products and services such as restroom and hygiene products and services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items and branded promotional products. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services.

Cintas evaluates the performance of each operating segment based on several factors of which the primary financial measures are operating segment revenue and income before income taxes. The accounting policies of the operating segments are the same as those described in Note 1 entitled Basis of Presentation. Information related to the operations of Cintas' operating segments is set forth below.

| | Rental Uniforms & Ancillary Products | Uniform Direct Sales | First Aid, Safety & Fire Protection | Document Management | Corporate | Total |
|---|---|----------------------------|--|------------------------|------------|-------------|
| For the three months ended November 30, 2009 | | | | | | |
| Revenue | \$ 643,597 | \$ 99,434 | \$ 81,557 | \$ 59,921 | \$ ---- | \$ 884,509 |
| Income (loss) before income taxes | \$ 91,881 | \$ 10,475 | \$ 3,018 | \$ 5,067 | \$(16,317) | \$ 94,124 |
| For the three months ended November 30, 2008 | | | | | | |
| Revenue | \$ 711,454 | \$120,035 | \$100,490 | \$ 53,205 | \$ ---- | \$ 985,184 |
| Income (loss) before income taxes | \$ 108,370 | \$ 9,237 | \$ 7,668 | \$ 5,117 | \$(11,938) | \$ 118,454 |
| As of and for the six months ended November 30, 2009 | | | | | | |
| Revenue | \$1,299,235 | \$188,735 | \$171,558 | \$ 116,550 | \$ ---- | \$1,776,078 |

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| | | | | | | |
|------------------------------------|-------------|-----------|-----------|------------|-------------|-------------|
| Income (loss) before income taxes | \$ 194,334 | \$ 18,564 | \$ 8,805 | \$ 7,106 | \$ (47,473) | \$ 181,336 |
| Total assets | \$2,475,877 | \$141,920 | \$311,870 | \$ 476,441 | \$ 480,240 | \$3,886,348 |
| As of and for the six months ended | | | | | | |
| November 30, 2008 | | | | | | |
| Revenue | \$1,432,827 | \$237,518 | \$209,022 | \$ 107,996 | \$ ---- | \$1,987,363 |
| Income (loss) before income taxes | \$ 215,429 | \$ 21,240 | \$ 19,018 | \$ 12,493 | \$ (23,904) | \$ 244,276 |
| Total assets | \$2,657,929 | \$180,413 | \$349,518 | \$ 459,847 | \$ 127,346 | \$3,775,053 |

Table of Contents

CINTAS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(In thousands except per share data)

12. Supplemental Guarantor Information

Cintas Corporation No. 2 (Corp. 2) is the indirectly, wholly-owned principal operating subsidiary of Cintas. Corp. 2 is the issuer of the \$775,000 of long-term notes, which are unconditionally guaranteed, jointly and severally, by Cintas and its wholly-owned, direct and indirect domestic subsidiaries.

As allowed by SEC rules, the following condensed consolidating financial statements are provided as an alternative to filing separate financial statements of the guarantors. Each of the subsidiaries presented in the condensed consolidating financial statements has been fully consolidated in Cintas' consolidated financial statements. The condensed consolidating financial statements should be read in conjunction with the consolidated financial statements of Cintas and notes thereto of which this note is an integral part.

Condensed consolidating financial statements for Cintas, Corp. 2, the subsidiary guarantors and non-guarantors are presented on the following pages:

Table of Contents

CONDENSED CONSOLIDATING INCOME STATEMENT

THREE MONTHS ENDED NOVEMBER 30, 2009

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|-------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue: | | | | | | |
| Rental uniforms and ancillary products | \$ ---- | \$ 494,833 | \$ 130,484 | \$ 45,283 | \$ (27,003) | \$ 643,597 |
| Other services | ---- | 302,077 | 81,362 | 16,173 | (158,700) | 240,912 |
| Equity in net income of affiliates | 57,176 | ---- | ---- | ---- | (57,176) | ---- |
| | 57,176 | 796,910 | 211,846 | 61,456 | (242,879) | 884,509 |
| Costs and expenses (income): | | | | | | |
| Cost of rental uniforms and ancillary products | ---- | 336,163 | 79,385 | 27,500 | (79,320) | 363,728 |
| Cost of other services | ---- | 177,729 | 69,720 | 10,545 | (107,060) | 150,934 |
| Selling and administrative expenses | ---- | 346,099 | (101,836) | 15,405 | (262) | 259,406 |
| Legal settlements, net of insurance proceeds | ---- | ---- | 4,052 | ---- | ---- | 4,052 |
| Operating income | 57,176 | (63,081) | 160,525 | 8,006 | (56,237) | 106,389 |
| Interest income | ---- | ---- | (248) | (66) | ---- | (314) |
| Interest expense (income) | ---- | 12,763 | (200) | 16 | ---- | 12,579 |
| Income before income taxes | 57,176 | (75,844) | 160,973 | 8,056 | (56,237) | 94,124 |
| Income taxes | ---- | (35,690) | 69,889 | 2,749 | ---- | 36,948 |
| Net income | \$ 57,176 | \$ (40,154) | \$ 91,084 | \$ 5,307 | \$ (56,237) | \$ 57,176 |

Table of Contents

CONDENSED CONSOLIDATING INCOME STATEMENT

THREE MONTHS ENDED NOVEMBER 30, 2008

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue: | | | | | | |
| Rental uniforms and ancillary products | \$ ---- | \$ 549,512 | \$ 148,250 | \$ 43,663 | \$ (29,971) | \$ 711,454 |
| Other services | ---- | 351,469 | 116,512 | 15,498 | (209,749) | 273,730 |
| Equity in net income of affiliates | 71,838 | ---- | ---- | ---- | (71,838) | ---- |
| | 71,838 | 900,981 | 264,762 | 59,161 | (311,558) | 985,184 |
| Costs and expenses (income): | | | | | | |
| Cost of rental uniforms and ancillary products | ---- | 328,961 | 86,890 | 26,591 | (40,828) | 401,614 |
| Cost of other services | ---- | 259,022 | 102,553 | 9,536 | (202,541) | 168,570 |
| Selling and administrative expenses | ---- | 250,703 | 20,319 | 13,881 | (295) | 284,608 |
| Operating income | 71,838 | 62,295 | 55,000 | 9,153 | (67,894) | 130,392 |
| Interest income | ---- | ---- | (193) | (637) | ---- | (830) |
| Interest expense (income) | ---- | 13,303 | (535) | ---- | ---- | 12,768 |
| Income before income taxes | 71,838 | 48,992 | 55,728 | 9,790 | (67,894) | 118,454 |
| Income taxes | ---- | 16,136 | 27,717 | 2,763 | ---- | 46,616 |
| Net income | \$ 71,838 | \$ 32,856 | \$ 28,011 | \$ 7,027 | \$ (67,894) | \$ 71,838 |

Table of Contents

CONDENSED CONSOLIDATING INCOME STATEMENT

SIX MONTHS ENDED NOVEMBER 30, 2009

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|-------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue: | | | | | | |
| Rental uniforms and ancillary products | \$ ---- | \$ 998,683 | \$ 264,704 | \$ 88,453 | \$ (52,605) | \$ 1,299,235 |
| Other services | ---- | 598,844 | 154,823 | 30,380 | (307,204) | 476,843 |
| Equity in net income of affiliates | 111,160 | ---- | ---- | ---- | (111,160) | ---- |
| | 111,160 | 1,597,527 | 419,527 | 118,833 | (470,969) | 1,776,078 |
| Costs and expenses (income): | | | | | | |
| Cost of rental uniforms and ancillary products | ---- | 626,402 | 159,671 | 53,323 | (112,739) | 726,657 |
| Cost of other services | ---- | 395,888 | 133,523 | 19,118 | (251,750) | 296,779 |
| Selling and administrative expenses | ---- | 597,128 | (104,762) | 30,342 | 1,125 | 523,833 |
| Legal settlements, net of insurance proceeds | ---- | ---- | 23,529 | ---- | ---- | 23,529 |
| Operating income | 111,160 | (21,891) | 207,566 | 16,050 | (107,605) | 205,280 |
| Interest income | ---- | ---- | (531) | (142) | ---- | (673) |
| Interest expense (income) | ---- | 25,482 | (882) | 17 | ---- | 24,617 |
| Income before income taxes | 111,160 | (47,373) | 208,979 | 16,175 | (107,605) | 181,336 |
| Income taxes | ---- | (26,014) | 90,747 | 5,443 | ---- | 70,176 |
| Net income | \$ 111,160 | \$ (21,359) | \$ 118,232 | \$ 10,732 | \$ (107,605) | \$ 111,160 |

Table of Contents

CONDENSED CONSOLIDATING INCOME STATEMENT

SIX MONTHS ENDED NOVEMBER 30, 2008

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|--------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue: | | | | | | |
| Rental uniforms and ancillary products | \$ ---- | \$ 1,086,280 | \$ 298,321 | \$ 93,927 | \$ (45,701) | \$ 1,432,827 |
| Other services | ---- | 710,648 | 237,643 | 32,152 | (425,907) | 554,536 |
| Equity in net income of affiliates | 150,474 | ---- | ---- | ---- | (150,474) | ---- |
| | 150,474 | 1,796,928 | 535,964 | 126,079 | (622,082) | 1,987,363 |
| Costs and expenses (income): | | | | | | |
| Cost of rental uniforms and ancillary products | ---- | 655,838 | 179,780 | 56,873 | (83,587) | 808,904 |
| Cost of other services | ---- | 503,733 | 208,633 | 19,974 | (393,964) | 338,376 |
| Selling and administrative expenses | ---- | 537,893 | 4,123 | 30,704 | (817) | 571,903 |
| Operating income | 150,474 | 99,464 | 143,428 | 18,528 | (143,714) | 268,180 |
| Interest income | ---- | ---- | (441) | (1,454) | ---- | (1,895) |
| Interest expense (income) | ---- | 26,768 | (972) | 3 | ---- | 25,799 |
| Income before income taxes | 150,474 | 72,696 | 144,841 | 19,979 | (143,714) | 244,276 |
| Income taxes | ---- | 25,376 | 62,455 | 5,971 | ---- | 93,802 |
| Net income | \$ 150,474 | \$ 47,320 | \$ 82,386 | \$ 14,008 | \$ (143,714) | \$ 150,474 |

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Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF NOVEMBER 30, 2009

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|--------------|--------------------------|--------------------|----------------|---------------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ ---- | \$ 34,602 | \$ 267,056 | \$ 40,356 | \$ ---- | \$ 342,014 |
| Marketable securities | ---- | ---- | 19,508 | 118,718 | ---- | 138,226 |
| Accounts receivable, net | ---- | 264,989 | 91,094 | 21,068 | ---- | 377,151 |
| Inventories, net | ---- | 153,917 | 4,300 | 9,234 | (1,078) | 166,373 |
| Uniforms and other rental items in service | ---- | 252,966 | 72,854 | 22,589 | (18,848) | 329,561 |
| Income taxes, current | ---- | (4,771) | 9,886 | 3,791 | ---- | 8,906 |
| Deferred income tax asset (liability) | ---- | ---- | 70,523 | (965) | ---- | 69,558 |
| Prepaid expenses | ---- | 5,606 | 10,304 | 1,727 | ---- | 17,637 |
| Assets held for sale | ---- | ---- | 15,744 | ---- | ---- | 15,744 |
| Total current assets | ---- | 707,309 | 561,269 | 216,518 | (19,926) | 1,465,170 |
| Property and equipment, at cost, net | ---- | 609,326 | 227,184 | 51,495 | ---- | 888,005 |
| Goodwill | ---- | ---- | 1,295,444 | 39,329 | ---- | 1,334,773 |
| Service contracts, net | ---- | 105,135 | 1,247 | 3,722 | ---- | 110,104 |
| Other assets, net | 1,994,635 | 1,588,330 | 1,803,525 | 319,726 | (5,617,920) | 88,296 |
| | \$ 1,994,635 | \$ 3,010,100 | \$ 3,888,669 | \$ 630,790 | \$ (5,637,846) | \$ 3,886,348 |
| Liabilities and Shareholders Equity | | | | | | |
| Current liabilities: | | | | | | |
| Accounts (receivable) payable | \$ (465,247) | \$ 61,602 | \$ 456,507 | \$ (17,311) | \$ 38,023 | \$ 73,574 |
| Accrued compensation and related liabilities | ---- | 30,044 | 14,478 | 2,350 | ---- | 46,872 |
| Accrued liabilities | ---- | 44,278 | 172,301 | 7,947 | ---- | 224,526 |
| Long-term debt due within one year | ---- | 784 | (196) | ---- | ---- | 588 |
| Total current liabilities | (465,247) | 136,708 | 643,090 | (7,014) | 38,023 | 345,560 |
| Long-term liabilities: | | | | | | |
| Long-term debt due after one year | ---- | 795,845 | (10,097) | ---- | ---- | 785,748 |
| Deferred income taxes | ---- | ---- | 153,431 | 3,712 | ---- | 157,143 |
| Accrued liabilities | ---- | ---- | 101,812 | ---- | ---- | 101,812 |
| Total long-term liabilities | ---- | 795,845 | 245,146 | 3,712 | ---- | 1,044,703 |
| Total shareholders equity | 2,459,882 | 2,077,547 | 3,000,433 | 634,092 | (5,675,869) | 2,496,085 |
| | \$ 1,994,635 | \$ 3,010,100 | \$ 3,888,669 | \$ 630,790 | \$ (5,637,846) | \$ 3,886,348 |

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Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MAY 31, 2009

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non-Guarantors | Eliminations | Cintas Corporation Consolidated |
|--|-----------------------|--------------|--------------------------|----------------|----------------|---------------------------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ ---- | \$ 39,397 | \$ 76,979 | \$ 13,369 | \$ ---- | \$ 129,745 |
| Marketable securities | ---- | ---- | ---- | 120,393 | ---- | 120,393 |
| Accounts receivable, net | ---- | 275,878 | 88,158 | 21,944 | (28,302) | 357,678 |
| Inventories, net | ---- | 194,604 | 2,505 | 8,248 | (3,006) | 202,351 |
| Uniforms and other rental items in service | ---- | 258,766 | 76,167 | 20,998 | (20,484) | 335,447 |
| Income taxes, current | ---- | 3,172 | 15,865 | 6,475 | ---- | 25,512 |
| Deferred income tax asset (liability) | ---- | ---- | 67,298 | (930) | ---- | 66,368 |
| Prepaid expenses | ---- | 6,178 | 9,473 | 1,384 | ---- | 17,035 |
| Assets held for sale | ---- | ---- | 15,744 | ---- | ---- | 15,744 |
| Total current assets | ---- | 777,995 | 352,189 | 191,881 | (51,792) | 1,270,273 |
| Property and equipment, at cost, net | ---- | 636,348 | 227,325 | 50,954 | ---- | 914,627 |
| Goodwill | ---- | ---- | 1,293,559 | 37,829 | ---- | 1,331,388 |
| Service contracts, net | ---- | 118,459 | 1,658 | 4,213 | ---- | 124,330 |
| Other assets, net | 1,876,863 | 1,598,027 | 1,782,517 | 336,264 | (5,513,338) | 80,333 |
| | \$ 1,876,863 | \$ 3,130,829 | \$ 3,657,248 | \$ 621,141 | \$ (5,565,130) | \$ 3,720,951 |
| Liabilities and Shareholders Equity | | | | | | |
| Current liabilities: | | | | | | |
| Accounts (receivable) payable | \$ (465,247) | \$ 162,162 | \$ 371,731 | \$ (20,013) | \$ 21,332 | \$ 69,965 |
| Accrued compensation and related liabilities | ---- | 32,119 | 14,296 | 1,999 | ---- | 48,414 |
| Accrued liabilities | ---- | 43,066 | 147,841 | 8,439 | (858) | 198,488 |
| Long-term debt due within one year | ---- | 749 | 68 | ---- | (219) | 598 |
| Total current liabilities | (465,247) | 238,096 | 533,936 | (9,575) | 20,255 | 317,465 |
| Long-term liabilities: | | | | | | |
| Long-term debt due after one year | ---- | 796,351 | 241 | 24,511 | (35,045) | 786,058 |
| Deferred income taxes | ---- | ---- | 145,444 | 3,588 | ---- | 149,032 |
| Accrued liabilities | ---- | ---- | 100,987 | ---- | ---- | 100,987 |
| Total long-term liabilities | ---- | 796,351 | 246,672 | 28,099 | (35,045) | 1,036,077 |
| Total shareholders equity | 2,342,110 | 2,096,382 | 2,876,640 | 602,617 | (5,550,340) | 2,367,409 |
| | \$ 1,876,863 | \$ 3,130,829 | \$ 3,657,248 | \$ 621,141 | \$ (5,565,130) | \$ 3,720,951 |

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Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

SIX MONTHS ENDED NOVEMBER 30, 2009

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non- Guarantors | Eliminations | Cintas Corporation Consolidated |
|---|-----------------------|-------------|--------------------------|--------------------|--------------|---------------------------------------|
| <u>Cash flows from operating activities:</u> | | | | | | |
| Net income | \$ 111,160 | \$ (21,359) | \$ 118,232 | \$ 10,732 | \$ (107,605) | \$ 111,160 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | ---- | 48,525 | 23,198 | 4,176 | ---- | 75,899 |
| Amortization of deferred charges | ---- | 19,033 | 470 | 1,065 | ---- | 20,568 |
| Stock-based compensation | 7,571 | ---- | ---- | ---- | ---- | 7,571 |
| Deferred income taxes | ---- | ---- | 4,757 | 20 | ---- | 4,777 |
| Changes in current assets and liabilities, net of acquisitions of businesses: | | | | | | |
| Accounts receivable, net | ---- | 15,509 | (1,659) | 1,609 | (28,302) | (12,843) |
| Inventories, net | ---- | 40,016 | (1,383) | (1,831) | (1,928) | 34,874 |
| Uniforms and other rental items in service | ---- | 5,809 | 2,240 | (918) | (1,636) | 5,495 |
| Prepaid expenses | ---- | 602 | (833) | (337) | ---- | (568) |
| Accounts payable | ---- | (96,788) | 80,361 | 6,650 | 16,691 | 6,914 |
| Accrued compensation and related liabilities | ---- | (2,092) | 163 | 283 | ---- | (1,646) |
| Accrued liabilities and other | ---- | (29) | 25,287 | (870) | 858 | 25,246 |
| Income taxes payable | ---- | 7,942 | 5,978 | 2,808 | ---- | 16,728 |
| Net cash provided by (used in) operating activities | 118,731 | 17,168 | 256,811 | 23,387 | (121,922) | 294,175 |
| <u>Cash flows from investing activities:</u> | | | | | | |
| Capital expenditures | ---- | (23,471) | (21,556) | (3,065) | ---- | (48,092) |
| Proceeds from sale or redemption of marketable securities | ---- | ---- | 125 | 25,727 | ---- | 25,852 |
| Purchase of marketable securities and investments | ---- | (1,901) | (12,401) | (23,337) | (15,421) | (53,060) |
| Acquisitions of businesses, net of cash acquired | ---- | (6,601) | ---- | ---- | ---- | (6,601) |
| Other | (117,772) | 9,920 | 6,855 | (29) | 102,079 | 1,053 |
| Net cash (used in) provided by investing activities | (117,772) | (22,053) | (26,977) | (704) | 86,658 | (80,848) |

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Cash flows from financing activities:

| | | | | | | |
|--|---------|-----------|------------|-----------|---------|------------|
| Repayment of debt | ---- | (471) | (36,327) | 1,213 | 35,264 | (321) |
| Exercise of stock-based compensation awards | 2,819 | ---- | ---- | ---- | ---- | 2,819 |
| Repurchase of common stock | (959) | ---- | ---- | ---- | ---- | (959) |
| Other | (2,819) | 384 | (3,430) | 2,329 | ---- | (3,536) |
| Net cash (used in) provided by financing activities | (959) | (87) | (39,757) | 3,542 | 35,264 | (1,997) |
| Effect of exchange rate changes on cash and cash equivalents | ---- | 177 | ---- | 762 | ---- | 939 |
| Net (decrease) increase in cash and cash equivalents | ---- | (4,795) | 190,077 | 26,987 | ---- | 212,269 |
| Cash and cash equivalents at beginning of period | ---- | 39,397 | 76,979 | 13,369 | ---- | 129,745 |
| Cash and cash equivalents at end of period | \$ ---- | \$ 34,602 | \$ 267,056 | \$ 40,356 | \$ ---- | \$ 342,014 |

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Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

SIX MONTHS ENDED NOVEMBER 30, 2008

(In thousands)

| | Cintas Corporation | Corp. 2 | Subsidiary Guarantors | Non-Guarantors | Eliminations | Cintas Corporation Consolidated |
|---|--------------------|-----------|-----------------------|----------------|--------------|---------------------------------|
| <u>Cash flows from operating activities:</u> | | | | | | |
| Net income | \$ 150,474 | \$ 47,320 | \$ 82,386 | \$ 14,008 | \$ (143,714) | \$ 150,474 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | ---- | 49,517 | 24,689 | 4,166 | ---- | 78,372 |
| Amortization of deferred charges | ---- | 20,009 | 591 | 922 | ---- | 21,522 |
| Stock-based compensation | 6,911 | ---- | ---- | ---- | ---- | 6,911 |
| Deferred income taxes | ---- | ---- | (1,840) | ---- | ---- | (1,840) |
| Changes in current assets and liabilities, net of acquisitions of businesses: | | | | | | |
| Accounts receivable, net | ---- | (3,470) | 10,575 | (197) | (14,972) | (8,064) |
| Inventories, net | ---- | (6,742) | (3,140) | (923) | (4,364) | (15,169) |
| Uniforms and other rental items in service | ---- | (2,162) | (762) | (917) | (2,396) | (6,237) |
| Prepaid expenses | ---- | 154 | (3,906) | (47) | ---- | (3,799) |
| Accounts payable | ---- | (4,987) | 39,053 | (48,470) | 13,895 | (509) |
| Accrued compensation and related liabilities | ---- | (3,364) | (5,073) | (248) | ---- | (8,685) |
| Accrued liabilities and other | ---- | (13,779) | (3,351) | (145) | 875 | (16,400) |
| Income taxes payable | ---- | 7,393 | (25,840) | (2,988) | ---- | (21,435) |
| Net cash provided by (used in) operating activities | 157,385 | 89,889 | 113,382 | (34,839) | (150,676) | 175,141 |
| <u>Cash flows from investing activities:</u> | | | | | | |
| Capital expenditures | ---- | (43,512) | (48,925) | (3,520) | ---- | (95,957) |
| Proceeds from sale or redemption of marketable securities | ---- | ---- | ---- | 61,662 | ---- | 61,662 |
| Purchase of marketable securities and investments | ---- | (805) | 61,256 | (20,977) | (62,696) | (23,222) |
| Acquisitions of businesses, net of cash acquired | ---- | (18,331) | ---- | ---- | ---- | (18,331) |
| Other | (131,538) | 45,866 | (120,787) | (24) | 206,836 | 353 |
| Net cash (used in) provided by investing activities | (131,538) | (16,782) | (108,456) | 37,141 | 144,140 | (75,495) |
| <u>Cash flows from financing activities:</u> | | | | | | |

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| | | | | | | |
|--|----------|-----------|----------|-----------|---------|-----------|
| Proceeds from issuance of debt | ---- | 7,500 | ---- | ---- | ---- | 7,500 |
| Repayment of debt | ---- | (80,649) | (6,636) | ---- | 6,536 | (80,749) |
| Repurchase of common stock | (25,847) | ---- | ---- | ---- | ---- | (25,847) |
| Other | ---- | 383 | 274 | (244) | ---- | 413 |
| Net cash (used in) provided by financing activities | (25,847) | (72,766) | (6,362) | (244) | 6,536 | (98,683) |
| Effect of exchange rate changes on cash and cash equivalents | ---- | (450) | ---- | (4,324) | ---- | (4,774) |
| Net decrease in cash and cash equivalents | ---- | (109) | (1,436) | (2,266) | ---- | (3,811) |
| Cash and cash equivalents at beginning of period | ---- | 37,472 | 7,851 | 20,901 | ---- | 66,224 |
| Cash and cash equivalents at end of period | \$ ---- | \$ 37,363 | \$ 6,415 | \$ 18,635 | \$ ---- | \$ 62,413 |

Table of Contents

CINTAS CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

BUSINESS STRATEGY

Cintas provides highly specialized products and services to businesses of all types throughout the United States, Canada and Europe. We refer to ourselves as The Service Professionals. We bring value to our customers by helping them provide a cleaner, safer, more pleasant atmosphere for their customers and employees. Our products and services are designed to improve our customers' images. We also help our customers protect their employees and their company by enhancing workplace safety and helping to ensure legal compliance in key areas of their business.

We are North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom products and services, first aid, safety and fire protection products and services, document management services and branded promotional products.

Our business strategy is to achieve revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments to which Cintas has not historically served. We will also continue to identify additional product and service opportunities for our current and future customers.

To pursue the strategy of increasing penetration, we have a highly talented and diverse team of service professionals visiting our customers on a regular basis. This frequent contact with our customers enables us to develop close personal relationships. The combination of our distribution system and these strong customer relationships provides a platform from which we launch additional products and services.

We pursue the strategy of broadening our customer base through various avenues. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our expanding range of products and services allows our sales organization to consider any type of business a prospect. We also broaden our customer base through geographic expansion, especially in our emerging businesses of first aid, safety and fire protection and document management. Finally, we will evaluate strategic acquisitions as opportunities arise.

RESULTS OF OPERATIONS

Cintas classifies its businesses into four operating segments. The Rental Uniforms and Ancillary Products operating segment reflects the rental and servicing of uniforms and other garments and facility products and services including mats, mops, shop towels and other ancillary items. In addition to these rental items, other facility products and services such as restroom and hygiene products and services are also provided within

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this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items and branded promotional products. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services. Revenue and income before income taxes for each of these operating segments for the three and six month periods ended November 30, 2009 and November 30, 2008, are presented in Note 11 entitled Segment Information of Notes to Consolidated Condensed Financial Statements.

Table of Contents

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 30, 2009. The ASC is an aggregation of previously issued authoritative GAAP in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been removed. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The following is a list of recent pronouncements issued by the FASB.

Effective June 1, 2008, Cintas adopted fair value measurements guidance for financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Effective June 1, 2009, Cintas adopted fair value measurements guidance for all nonfinancial assets and nonfinancial liabilities recognized or disclosed at fair value on a nonrecurring basis. The guidance defines fair value, establishes guidance for measuring fair value and expands disclosures regarding fair value measurements. The adoptions did not have a material impact on our consolidated financial statements. See Note 4 entitled Fair Value Measurements of Notes to Consolidated Condensed Financial Statements for additional information.

Effective June 1, 2009, Cintas adopted new guidance on business combinations, in which an entity is required to recognize assets acquired, liabilities assumed, contractual contingencies and contingent consideration at fair value on the acquisition date. It further requires that acquisition-related costs are recognized separately from the acquisition and expensed as incurred, restructuring costs generally are expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. This adoption did not have a material impact on Cintas' results of operations or financial condition. Any future effects will depend upon the terms and size of future acquisitions.

Effective June 1, 2009, Cintas adopted new guidance for determining whether instruments granted in share-based payment transactions are participating securities. This guidance provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method of determining earnings per share. The adoption did not have a material impact on basic or diluted earnings per share. Cintas' adoption is more fully described in Note 5 entitled Earnings per Share of Notes to Consolidated Condensed Financial Statements.

Effective June 1, 2009, Cintas adopted new guidance on subsequent events. The objective of this guidance is to establish general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued or are available to be issued. Cintas has evaluated and disclosed any subsequent events through January 8, 2010, which is the date of filing of the Form 10-Q. This adoption did not have a material impact on Cintas' results of operations or financial condition.

Consolidated Results

Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

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Total revenue decreased 10.2% for the three months ended November 30, 2009, as compared to the same period in the prior fiscal year from \$985.2 million to \$884.5 million. The difficult U.S. and Canadian economic environment that began in fiscal 2009 continued into fiscal 2010. These economies lost approximately 1.1 million jobs in the six months ended November 30, 2009. Although the rate at which these economies lost jobs slowed in our second fiscal quarter, these economies currently have approximately 5.0 million fewer jobs than a year ago. Primarily because of customer job losses, we experienced decreases in uniform revenue, both rented and purchased, and revenue for our hygiene products and first aid and safety products in the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009. In addition, facility closures by our customers reduced our volume of entrance mats, shop towels and other facility needs such as fire protection services.

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Table of Contents

Rental Uniforms and Ancillary Products revenue decreased 9.5% for the three months ended November 30, 2009, over the same period in the prior fiscal year from \$711.5 million to \$643.6 million.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, decreased 12.0% for the three months ended November 30, 2009, over the same period in the prior fiscal year from \$273.7 million to \$240.9 million. The decrease for the quarter was primarily the result of a 17.2% decrease in Uniform Direct Sales operating segment revenue and an 18.8% decrease in First Aid, Safety and Fire Protection Services operating segment revenue.

Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, shop towels and other ancillary items. Cost of rental uniforms and ancillary products decreased \$37.9 million, or 9.4%, for the three months ended November 30, 2009, compared to the three months ended November 30, 2008. Lower Rental Uniforms and Ancillary Products operating segment volume resulted in a decrease in the cost of rental uniforms and ancillary products.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. Cost of other services decreased \$17.6 million, or 10.5%, for the three months ended November 30, 2009, compared to the three months ended November 30, 2008. This decrease was due to decreased Other Services revenue volume.

Selling and administrative expenses decreased \$25.2 million, or 8.9%, for the three months ended November 30, 2009, compared to the three months ended November 30, 2008. Labor and payroll tax expenses decreased by \$12.4 million compared to the same period in the prior fiscal year due to reduced headcount resulting from cost reduction initiatives. In addition, medical expense decreased \$4.1 million, mainly due to lower employment and utilization levels.

During the second quarter of fiscal 2010, Cintas had legal settlements that totaled \$4.1 million, net of insurance proceeds. None of these settlements were significant individually. These settlements included litigation related to multiple subjects including employment practices and insurance coverage.

Net interest expense (interest expense less interest income) was \$12.3 million for the three months ended November 30, 2009, which is relatively consistent with \$11.9 million for the same period in the prior fiscal year.

Cintas' effective tax rate of 39.3% for the three months ended November 30, 2009, was relatively consistent compared to the 39.4% for the prior year period. These rates reflect the reserves required in accordance with ASC No. 740-10, *Accounting for Income Taxes*.

Net income decreased \$14.7 million, or 20.4%, for the three months ended November 30, 2009, from the same period in the prior fiscal year. Diluted earnings per share were \$0.37 for the three months ended November 30, 2009, which was a decrease of 21.3% compared to the same

period in the prior fiscal year. The decreased net income and diluted earnings per share are due primarily to decreased revenue for the quarter and litigation settlements.

Rental Uniforms and Ancillary Products Operating Segment

Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue decreased from \$711.5 million to \$643.6 million, or 9.5%, and the cost of rental uniforms and ancillary products decreased \$37.9 million, or 9.4%. The operating segment's gross margin was \$279.9 million, or 43.5% of revenue. This gross margin percent of revenue of 43.5% was relatively consistent with the prior fiscal year's second quarter of 43.6%.

Table of Contents

Selling and administrative expenses as a percent of revenue, at 29.2%, increased 90 basis points compared to the second quarter of the prior fiscal year despite a reduction in selling and administrative expenses of \$13.5 million in the second quarter of fiscal 2010 compared to last fiscal year's second quarter. The increase of 90 basis points is due to lower Rental Uniforms and Ancillary Products operating segment revenue.

Income before income taxes decreased \$16.5 million to \$91.9 million for the Rental Uniforms and Ancillary Products operating segment for the period compared to the same period last fiscal year. Income before income taxes was 14.3% of the operating segment's revenue, which is a 90 basis point decrease compared to the second quarter of the prior fiscal year. This is primarily due to the lower Rental Uniforms and Ancillary Products operating segment revenue.

Uniform Direct Sales Operating Segment

Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

Uniform Direct Sales operating segment revenue decreased from \$120.0 million to \$99.4 million, or 17.2%, for the three months ended November 30, 2009, over the same period in the prior fiscal year. The U.S. and Canadian economies continued to challenge us during our second fiscal quarter, as many of our customers, especially those in the hospitality and gaming industries, continued to delay uniform purchases and roll-outs of new uniform programs.

Cost of uniform direct sales decreased \$12.9 million, or 15.5%, for the three months ended November 30, 2009, due to decreased Uniform Direct Sales operating segment volume. The gross margin as a percent of revenue was 29.3% for the quarter ended November 30, 2009, which decreased from 30.7% in the same period in the prior fiscal year. This decrease is due to lower Uniform Direct Sales operating segment volume, causing the operating segment's fixed costs to be a higher percent of revenue.

Selling and administrative expenses as a percent of revenue was 23.0% in the second quarter of last fiscal year and decreased 420 basis points to 18.8% in this fiscal year's second quarter. Selling and administrative expenses decreased from \$27.6 million in last fiscal year's second quarter to \$18.7 million in the second quarter of this fiscal year due to a reduction of labor and payroll tax expense associated with cost reduction initiatives.

Income before income taxes increased \$1.2 million to \$10.5 million for the Uniform Direct Sales operating segment for the three months ended November 30, 2009. Income before income taxes was 10.5% of the operating segment's revenue compared to 7.7% for the same period last fiscal year. This increase in income before income taxes is primarily due to the reduction of selling and administrative expenses.

First Aid, Safety and Fire Protection Services Operating Segment

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Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

First Aid, Safety and Fire Protection Services operating segment revenue decreased from \$100.5 million to \$81.6 million, or 18.8%, for the three months ended November 30, 2009. The difficult U.S. economic conditions discussed above continued to negatively affect revenue in this operating segment.

Cost of first aid, safety and fire protection services decreased \$9.1 million, or 15.1%, for the three months ended November 30, 2009. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 37.5% for the quarter ended November 30, 2009, which is a 270 basis point decrease compared to the gross margin percentage in the second quarter of the prior fiscal year. This decrease is mainly due to a decrease in sales volume causing the operating segment's fixed costs to be a higher percent of revenue.

Table of Contents

Selling and administrative expenses as a percent of revenue, at 33.8%, increased 120 basis points compared to the second quarter of the prior fiscal year. This increase is due to the lower First Aid, Safety and Fire Protection Services operating segment revenue. Selling and administrative expenses decreased from \$32.8 million in last fiscal year's second quarter to \$27.5 million in the second quarter of this fiscal year due to various cost reduction initiatives.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment decreased \$4.7 million to \$3.0 million for the three months ended November 30, 2009. Income before income taxes was 3.7% of the operating segment's revenue, compared to 7.6% in last fiscal year's second quarter. This decrease is primarily due to the decrease in First Aid, Safety and Fire Protection services operating segment revenue.

Document Management Services Operating Segment

Three Months Ended November 30, 2009 Compared to Three Months Ended November 30, 2008

Document Management Services operating segment revenue increased from \$53.2 million to \$59.9 million, or 12.6%, for the three months ended November 30, 2009, over the same period in the prior fiscal year. This operating segment's internal growth for the period was 9.2% over the same period in the prior fiscal year. The internal growth was primarily due to the sale of document management services to new customers, partially offset by the negative impact of recycled paper prices that have declined compared to the same period of last fiscal year. Excluding revenue for recycled paper, document management internal growth was 15.6% for the three months ended November 30, 2009, over the same period in the prior fiscal year. The remaining growth was generated through the acquisition of document management businesses.

Cost of document management services increased \$4.3 million, or 17.2%, for the three months ended November 30, 2009, due to increased Document Management Services operating segment volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent of revenue decreased from 52.4% in last fiscal year's second quarter to 50.5% for the quarter ended November 30, 2009. This decrease is due to unfavorable recycled paper prices.

Selling and administrative expenses as a percent of revenue, at 42.0%, decreased 80 basis points compared to the second quarter of the prior fiscal year. Although labor and payroll tax expenses increased slightly during the period compared to the same period in the prior fiscal year, the increase was at a rate less than the increase in operating segment revenue, primarily as a result of cost reduction initiatives.

Income before income taxes for the Document Management Services operating segment decreased 110 basis points to \$5.1 million for the period compared to the same period in the prior fiscal year. Income before income taxes as a percentage of the operating segment's revenue decreased from 9.6% in last fiscal year's second quarter to 8.5% for the quarter ended November 30, 2009, primarily as a result of the unfavorable recycled paper prices compared to last year's second fiscal quarter.

Consolidated Results

Six Months Ended November 30, 2009 Compared to Six Months Ended November 30, 2008

Total revenue decreased 10.6% for the six months ended November 30, 2009, as compared to the same period in the prior fiscal year from \$1.99 billion to \$1.78 billion. The decrease primarily resulted from an organic decrease of 11.4%, partially offset by 0.1% growth attributable to acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment during the six month period. The revenue growth rate was also positively impacted by 0.7% due to one additional workday in the six month period ended November 30, 2009, compared to the six month period ended November 30, 2008.

Table of Contents

Rental Uniforms and Ancillary Products revenue decreased 9.3% for the six months ended November 30, 2009, as compared to the same period in the prior fiscal year from \$1.43 billion to \$1.30 billion. The decrease primarily resulted from an organic revenue decrease of 10.0% for the six month period. The revenue growth rate was positively impacted by 0.7% due to one additional workday in the six month period ended November 30, 2009, compared to the six month period ended November 30, 2008.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, decreased 14.0% for the six months ended November 30, 2009, as compared to the same period in the prior fiscal year from \$554.5 million to \$476.8 million. The decrease primarily resulted from an organic decrease of 15.1%, partially offset by 0.4% growth attributable to acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment during the six month period. The revenue growth rate was also positively impacted by 0.7% due to one additional workday in the six month period ended November 30, 2009, compared to the six month period ended November 30, 2008. The negative internal growth rate for the six month period was primarily the result of a 20.5% decrease in Uniform Direct Sales operating segment revenue and a 17.9% decrease in First Aid, Safety and Fire Protection Services operating segment revenue.

Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, shop towels and other rental items. Cost of rental uniforms and ancillary products decreased \$82.2 million, or 10.2%, for the six months ended November 30, 2009, as compared to the six months ended November 30, 2008. This decrease was mainly due to decreased Rental Uniforms and Ancillary Products operating segment revenue and a \$23.4 million decrease in energy costs.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. Cost of other services decreased \$41.6 million, or 12.3%, for the six months ended November 30, 2009, as compared to the six months ended November 30, 2008. This decrease was mainly due to decreased Other Services revenue volume.

Selling and administrative expenses decreased \$48.1 million, or 8.4%, for the six months ended November 30, 2009, as compared to the six months ended November 30, 2008. Labor and payroll tax expenses decreased by \$25.6 million compared to the same period in the prior fiscal year due to reduced headcount resulting from cost reduction initiatives. In addition, bad debt expense decreased \$7.1 million due to improved collections.

During the first quarter of fiscal 2010, Cintas and the plaintiffs involved in the litigation, *Paul Veliz, et al. v. Cintas Corporation*, reached a settlement in principle. The principle terms of the settlement provide for an aggregate cash payment of approximately \$24.0 million. The pre-tax impact, net of insurance proceeds, was approximately \$19.5 million. This settlement is more fully described in Note 10 entitled Litigation and Other Contingencies in Notes to Consolidated Condensed Financial Statements. During the second quarter of fiscal 2010, Cintas had legal settlements that totaled \$4.1 million, net of insurance proceeds. None of these settlements were significant individually. These settlements included litigation related to multiple subjects including employment practices and insurance coverage.

Net interest expense (interest expense less interest income) was \$23.9 million for the six months ended November 30, 2009 and 2008.

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Cintas' effective tax rate increased to 38.7% for the six months ended November 30, 2009, compared to 38.4% for the same period in the prior fiscal year, reflecting the reserves required in accordance with ASC No. 740-10, *Accounting for Income Taxes*.

Net income decreased 26.1% for the six months ended November 30, 2009, from the same period in the prior fiscal year. Diluted earnings per share decreased 26.5% for the six months ended November 30, 2009, compared to the same period in the prior fiscal year. The decreased net income and diluted earnings per share are due primarily to decreased revenue and the legal settlements.

Table of Contents

Rental Uniforms and Ancillary Products Operating Segment

Six Months Ended November 30, 2009 Compared to Six Months Ended November 30, 2008

Rental Uniforms and Ancillary Products operating segment revenue decreased from \$1.43 billion to \$1.30 billion, or 9.3%, and the cost of rental uniforms and ancillary products decreased \$82.2 million, or 10.2%. The operating segment's gross margin was \$572.6 million, or 44.1% of revenue. This gross margin percent to revenue of 44.1% was 60 basis points higher than the same period in the prior fiscal year of 43.5%. This increase of 60 basis points was due to energy related costs, which include natural gas, electric and gas, decreasing a combined 130 basis points as a percent of revenue from the same period last fiscal year, offset by the impact of lower operating segment revenue.

Selling and administrative expenses in the Rental Uniforms and Ancillary Products operating segment as a percent to revenue, at 29.1%, increased over the same period of the prior fiscal year by 60 basis points, despite a reduction in selling and administrative expenses of \$30.3 million in the six month period ended November 30, 2009, compared to last fiscal year's same period. The increase of 60 basis points is due to lower operating segment revenue.

Income before income taxes decreased \$21.1 million to \$194.3 million for the Rental Uniforms and Ancillary Products operating segment for the period. Income before income taxes was 15.0% of the operating segment's revenue, which is consistent with the same period in the prior fiscal year.

Uniform Direct Sales Operating Segment

Six Months Ended November 30, 2009 Compared to Six Months Ended November 30, 2008

Uniform Direct Sales operating segment revenue decreased from \$237.5 million to \$188.7 million, or 20.5%, for the six months ended November 30, 2009, as compared to the same period in the prior fiscal year. The U.S. and Canadian economies continued to challenge us during the last six months, as many of our customers, especially those in the hospitality and gaming industries, continued to delay uniform purchases and roll-outs of new uniform programs.

Cost of uniform direct sales decreased \$30.1 million, or 19.0%, for the six months ended November 30, 2009, due to decreased Uniform Direct Sales operating segment volume. The gross margin as a percent of revenue was 29.9% for the six months ended November 30, 2009, which was a 140 basis point decrease over the same period in the prior fiscal year. This decrease in gross margin as a percent of revenue is due to the lower Uniform Direct Sales operating segment volume.

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Selling and administrative expenses as a percent of revenue, at 20.1%, decreased 220 basis points for the six months ended November 30, 2009, compared to the same period in the prior fiscal year. Selling and administrative expenses decreased \$15.1 million for the six months ended November 30, 2009, compared to the same period in the prior fiscal year due to various cost reduction initiatives.

Income before income taxes decreased \$2.7 million to \$18.6 million for the Uniform Direct Sales operating segment for the six months ended November 30, 2009, compared to the same period in the prior fiscal year. Income before income taxes was 9.8% of the operating segment's revenue, which is a 90 basis point increase compared to the same period in the prior fiscal year. This increase is primarily due to the reduction in selling and administrative expenses.

First Aid, Safety and Fire Protection Services Operating Segment

Six Months Ended November 30, 2009 Compared to Six Months Ended November 30, 2008

First Aid, Safety and Fire Protection Services operating segment revenue decreased from \$209.0 million to \$171.6 million, or 17.9% for the six months ended November 30, 2009. This decrease resulted primarily from an organic decrease of 17.8% and a decrease of 0.8% due to the net impact of acquisitions and divestitures. The First Aid, Safety and Fire Protection Services operating segment revenue growth

Table of Contents

rate was positively impacted by 0.7% by one additional workday in the six month period ended November 30, 2009, compared to the six month period ended November 30, 2008.

Cost of first aid, safety and fire protection services decreased \$18.7 million, or 15.0%, for the six months ended November 30, 2009, due to decreased First Aid, Safety and Fire Protection Services volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 38.4% for the six months ended November 30, 2009, which is a 210 basis point decrease compared to the gross margin percentage in the prior fiscal year. This decrease is mainly due to a decrease in revenue volume.

Selling and administrative expenses as a percent of revenue, at 33.2%, increased 180 basis points for the six months ended November 30, 2009, compared to the same period in the prior fiscal year despite a reduction in selling and administrative expenses of \$8.5 million in the six months ended November 30, 2009, compared to the same period in the prior fiscal year. This decrease in expenses is due to various cost reduction initiatives.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment decreased \$10.2 million to \$8.8 million for the six months ended November 30, 2009, compared to the same period of the prior fiscal year. Income before income taxes was 5.1% of the operating segment's revenue, which is a 400 basis point decrease compared to the same period in the prior fiscal year as a result of the various items described above.

Document Management Services Operating Segment

Six Months Ended November 30, 2009 Compared to Six Months Ended November 30, 2008

Document Management Services operating segment revenue increased from \$108.0 million to \$116.6 million, or 7.9% for the six months ended November 30, 2009, over the same period in the prior fiscal year. This operating segment's internal growth for the period was 3.3% over the same period in the prior fiscal year. The internal growth was primarily due to the sale of document management services to new customers, partially offset by the negative impact of recycled paper prices that have declined compared to the same period of last fiscal year. Excluding revenue for recycled paper, document management internal growth was 13.8% for the six months ended November 30, 2009, over the same period in the prior fiscal year. Acquisitions of document management businesses accounted for growth of 3.8%. The Document Management Services operating segment revenue growth rate was positively impacted by 0.8% by one additional workday in the six month period ended November 30, 2009, compared to the six month period ended November 30, 2008.

Cost of document management services increased \$8.1 million, or 16.0%, for the six months ended November 30, 2009, due to increased Document Management Services operating segment revenue volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent of revenue was 49.6% for the six months ended November 30, 2009, which is a 350 basis point decrease over the gross margin percentage in the same period of the prior fiscal year. This decrease is due to unfavorable recycled paper prices compared to last fiscal year.

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Selling and administrative expenses increased \$5.8 million and as a percent of revenue, at 43.5%, increased 190 basis points for the six months ended November 30, 2009, compared to the same period in the prior fiscal year. The increase in expense is due to increases in labor and support services and medical expenses. However, the increase in basis points is primarily due to the impact of lower recycled paper prices.

Income before income taxes for the Document Management Services operating segment decreased \$5.4 million to \$7.1 million for the six months ended November 30, 2009, compared to the same period in the prior fiscal year. Income before income taxes was 6.1% of the operating segment's revenue, which is a 550 basis point decrease over the operating segment's revenue for the same period last fiscal year, primarily as a result of the unfavorable recycled paper prices compared to last fiscal year.

Table of Contents

Liquidity and Capital Resources

At November 30, 2009, Cintas had \$480.2 million in cash and cash equivalents and marketable securities which is \$230.1 million more than the \$250.1 million at May 31, 2009. This increase is primarily due to cash generated from operations of \$294.2 million, offset by capital expenditures of \$48.1 million. Cash and cash equivalents and marketable securities are expected to be used to finance future acquisitions, capital expenditures and expansion.

Cintas believes that its investment policy pertaining to marketable securities is conservative. Marketable securities consist primarily of Canadian treasury securities and U.S. municipal bonds. The criterion used in making investment decisions is the preservation of principal, while earning an attractive yield.

Working capital increased \$166.8 million to \$1.1 billion at November 30, 2009, due to the increased cash balances discussed above offset by reductions in inventory levels.

We continue to reduce our capital spending in this difficult economic environment and in the absence of revenue growth. As a result, net property and equipment decreased by \$26.6 million from May 31, 2009 to November 31, 2009. We have available capacity in our existing facilities to allow for growth.

As of November 30, 2009, we have \$775.0 million in fixed rate notes outstanding with maturities ranging from 2012 to 2036. We have a commercial paper program with a capacity of \$600.0 million that is fully supported by a backup revolving credit facility through a credit agreement with our banking group. As of November 30, 2009 and May 31, 2009, we had no commercial paper outstanding. The credit agreement expires in February 2011. We believe this program will be adequate to provide necessary funding for our operations.

Cintas' total debt to capitalization ratio improved to 24.0% at November 30, 2009, from 24.9% at May 31, 2009.

Cintas has no off-balance sheet arrangements other than a synthetic lease on a corporate aircraft. The synthetic lease on the aircraft does not currently have, and is not reasonably likely to have, a current or future material effect on Cintas' financial condition or results of operations.

Litigation and Other Contingencies

Cintas is subject to legal proceedings, insurance receipts, legal settlements and claims arising in the ordinary and normal course of its business. In the opinion of management, neither the individual or aggregate liability, if any, associated with such ordinary course of business actions has a material adverse effect on Cintas' financial position or results of operation. As is disclosed in Note 10 entitled Litigation and Other Contingencies of Notes to Consolidated Condensed Financial Statements, Cintas is party to additional litigation not considered in the ordinary

course of business.

Table of Contents

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements. Forward-looking statements may be identified by words such as estimates, anticipates, predicts, projects, plans, expects, intends, target, forecast, believes, seeks, could, should, may and will or the negative versions thereof and similar words, terms and expressions and by the context in which they are used. Such statements are based upon current expectations of Cintas and speak only as of the date made. You should not place undue reliance on any forward-looking statement. We cannot guarantee that any forward-looking statement will be realized. These statements are subject to various risks, uncertainties, potentially inaccurate assumptions and other factors that could cause actual results to differ from those set forth in or implied by this Quarterly Report. Factors that might cause such a difference include, but are not limited to, the possibility of greater than anticipated operating costs including energy costs, lower sales volumes, loss of customers due to outsourcing trends, the performance and costs of integration of acquisitions, fluctuations in costs of materials and labor including increased medical costs, costs and possible effects of union organizing activities, failure to comply with government regulations concerning employment discrimination, employee pay and benefits and employee health and safety, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, the cost, results and ongoing assessment of internal controls for financial reporting required by the Sarbanes-Oxley Act of 2002, the initiation or outcome of litigation, investigations or other proceedings, higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic or extraordinary events, changes in federal and state tax and labor laws and the reactions of competitors in terms of price and service. Cintas undertakes no obligation to publicly release any revisions to any forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information or to reflect events, circumstances or any other unanticipated developments arising after the date on which such statements are made. A further list and description of risks, uncertainties and other matters can be found in our Annual Report on Form 10-K for the year ended May 31, 2009 and in our reports on Forms 10-Q and 8-K. The risks and uncertainties described herein are not the only ones we may face. Additional risks and uncertainties presently not known to us or that we currently believe to be immaterial may also harm our business.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In our normal operations, Cintas has market risk exposure to interest rates. We refer to our market risk exposure to interest rates on page 29 of our Form 10-K for the year ended May 31, 2009.

Through its foreign operations, Cintas is exposed to foreign currency risk. Foreign currency exposures arise from transactions denominated in a currency other than the functional currency and from foreign denominated revenue and profit translated into U.S. dollars. The primary foreign currency to which Cintas is exposed is the Canadian dollar. Cintas has average rate options in place to limit a portion of the risks of the revenue translation from Canadian foreign currency exchange rate movements during the remainder of the fiscal year; however, the amount of these options is not material.

Table of Contents

ITEM 4.

CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

With the participation of Cintas management, including Cintas Chief Executive Officer, Chief Financial Officer, General Counsel and Controllers, Cintas has evaluated the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of November 30, 2009. Based on such evaluation, Cintas management, including Cintas Chief Executive Officer, Chief Financial Officer, General Counsel and Controllers, has concluded that Cintas disclosure controls and procedures were effective as of November 30, 2009, in ensuring (i) information required to be disclosed by Cintas in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by Cintas in the reports that it files or submits under the Exchange Act is accumulated and communicated to Cintas management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

In September 2009, Cintas implemented a new general ledger system and related processes as the first phase in an enterprise wide system implementation. Various controls were modified due to the new system. Additionally, in the second quarter of fiscal 2010, Cintas implemented additional compensating controls over financial reporting to ensure the accuracy and integrity of its consolidated financial statements during the post-implementation phase. Cintas believes that the system and process changes will enhance internal control over the financial reporting in future periods. There were no other changes in Cintas internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended November 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. See Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm on pages 31 and 32 of our Form 10-K for the year ended May 31, 2009.

Table of Contents

CINTAS CORPORATION

Part II. Other Information

Item 1. Legal Proceedings.

I. Supplemental Information: We discuss certain legal proceedings pending against us in Part I of this Quarterly Report on Form 10-Q under the caption Item 1. Financial Statements, in Note 10 entitled Litigation and Other Contingencies of Notes to Consolidated Condensed Financial Statements, and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations under Litigation and Other Contingencies. We refer you to those discussions for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

Item 4. Submission of Matters to a Vote of Security Holders.

Cintas Annual Shareholders meeting was held on October 20, 2009, at which the following issues were voted upon by shareholders:

Issue No. 1

Authority to elect ten Directors.

| Name | Shares For | Shares - Withheld Authority |
|--------------------|-------------|--------------------------------|
| Gerald S. Adolph | 139,360,329 | 3,180,407 |
| Paul R. Carter | 141,268,143 | 1,272,593 |
| Gerald V. Dirvin | 140,447,281 | 2,093,455 |
| Richard T. Farmer | 140,657,163 | 1,883,573 |
| Scott D. Farmer | 141,068,539 | 1,472,197 |
| Joyce Hergenhan | 141,499,392 | 1,041,344 |
| James J. Johnson | 141,528,686 | 1,012,050 |
| Robert J. Kohlhepp | 140,906,043 | 1,634,693 |

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| | | |
|-------------------|-------------|-----------|
| David C. Phillips | 134,788,812 | 7,751,924 |
| Ronald W. Tysoe | 136,901,931 | 5,638,805 |

Issue No. 2

Ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2010.

| For | Against | Abstain | Broker Non-Votes |
|-------------|-----------|---------|---------------------|
| 140,584,280 | 1,889,545 | 66,911 | 0 |

Issue No. 3

Shareholder proposal to adopt principles for healthcare reform as reported by the Institute of Medicine.

| For | Against | Abstain | Broker Non-Votes |
|-----------|-------------|------------|---------------------|
| 3,790,145 | 114,345,733 | 14,284,997 | 10,119,861 |

Table of Contents

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| Item 6. | Exhibits. |
| 31.1 | Certification of Principal Executive Officer required by Rule 13a-14(a) |
| 31.2 | Certification of Principal Financial Officer required by Rule 13a-14(a) |
| 32.1 | Section 1350 Certification of Chief Executive Officer |
| 32.2 | Section 1350 Certification of Chief Financial Officer |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINTAS CORPORATION
(Registrant)

Date: January 8, 2010

/s/ William C. Gale

William C. Gale
Senior Vice President and Chief Financial Officer
(Chief Accounting Officer)