

CINTAS CORP  
Form 10-Q  
January 08, 2009  
Table of Contents

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended November 30, 2008

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)

6800 CINTAS BOULEVARD

P.O. BOX 625737

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

Edgar Filing: CINTAS CORP - Form 10-Q

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 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

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

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	<u>Outstanding December 31, 2008</u>
Common Stock, no par value	152,790,170

**Table of Contents**

**CINTAS CORPORATION**

**TABLE OF CONTENTS**

<b>Part I.</b>	<b>Financial Information</b>	<b>Page No.</b>
Item 1.	Financial Statements.	
	<u>Consolidated Condensed Statements of Income</u> <u>Three Months and Six Months Ended November 30, 2008 and 2007</u>	3
	<u>Consolidated Condensed Balance Sheets</u> <u>November 30, 2008 and May 31, 2008</u>	4
	<u>Consolidated Condensed Statements of Cash Flows</u> <u>Six Months Ended November 30, 2008 and 2007</u>	5
	<u>Notes to Consolidated Condensed Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	24
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	33
Item 4.	<u>Controls and Procedures.</u>	34
<b>Part II.</b>	<b><u>Other Information</u></b>	
Item 1.	<u>Legal Proceedings.</u>	35
Item 4.	<u>Submission of Matters to a Vote of Security Holders.</u>	35
Item 6.	<u>Exhibits.</u>	36
	<b><u>Signatures</u></b>	36
	<b>Exhibits</b>	

**Table of Contents****CINTAS CORPORATION****ITEM 1. FINANCIAL STATEMENTS.****CONSOLIDATED CONDENSED STATEMENTS OF INCOME****(Unaudited)****(In thousands except per share data)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>November 30,</b>		<b>November 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenue:</b>				
Rental uniforms and ancillary products	\$ 711,454	\$ 708,845	\$ 1,432,827	\$ 1,419,199
Other services	273,730	275,020	554,536	533,794
	985,184	983,865	1,987,363	1,952,993
<b>Costs and expenses (income):</b>				
Cost of rental uniforms and ancillary products	401,614	392,211	808,904	783,701
Cost of other services	168,570	171,086	338,376	331,352
Selling and administrative expenses	284,608	275,125	571,903	551,835
	130,392	145,443	268,180	286,105
Operating income	130,392	145,443	268,180	286,105
Interest income	(830)	(1,796)	(1,895)	(3,258)
Interest expense	12,768	12,993	25,799	25,830
	118,454	134,246	244,276	263,533
Income before income taxes	118,454	134,246	244,276	263,533
Income taxes	46,616	51,393	93,802	99,617
	\$ 71,838	\$ 82,853	\$ 150,474	\$ 163,916
Net income	\$ 71,838	\$ 82,853	\$ 150,474	\$ 163,916
	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04
Basic earnings per share	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04
	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04
Diluted earnings per share	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04

See accompanying notes.

**Table of Contents**

**CINTAS CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(In thousands except share data)

	November 30, 2008 (Unaudited)	May 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 62,413	\$ 66,224
Marketable securities	64,933	125,471
Accounts receivable, net	433,831	430,078
Inventories, net	251,864	238,669
Uniforms and other rental items in service	371,743	370,416
Deferred income tax asset	44,821	39,410
Prepaid expenses	15,676	12,068
Total current assets	1,245,281	1,282,336
Property and equipment, at cost, net	982,331	974,575
Goodwill	1,320,248	1,315,569
Service contracts, net	138,143	152,757
Other assets, net	80,788	83,364
	\$3,766,791	\$ 3,808,601
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 101,060	\$ 94,755
Accrued compensation and related liabilities	41,470	50,605
Accrued liabilities	189,494	207,925
Current income taxes (prepaid) payable	(8,262)	12,887
Long-term debt due within one year	836	1,070
Total current liabilities	324,598	367,242
Long-term liabilities:		
Long-term debt due after one year	869,721	942,736
Deferred income taxes	126,279	124,184
Accrued liabilities	121,447	120,308
Total long-term liabilities	1,117,447	1,187,228
Shareholders equity:		
Preferred stock, no par value:		
100,000 shares authorized, none outstanding		
Common stock, no par value:		
425,000,000 shares authorized,		
FY 2009: 173,083,426 issued and 152,788,444 outstanding		
FY 2008: 173,083,426 issued and 153,691,103 outstanding		
	129,182	129,182
Paid-in capital	67,319	60,408
Retained earnings	2,934,775	2,784,302
Treasury stock:		
FY 2009: 20,294,982 shares		
	(797,888)	(772,041)

Edgar Filing: CINTAS CORP - Form 10-Q

FY 2008: 19,392,323 shares

Other accumulated comprehensive (loss) income	(8,642)	52,280
Total shareholders' equity	2,324,746	2,254,131
	\$3,766,791	\$ 3,808,601

See accompanying notes.

**Table of Contents****CINTAS CORPORATION****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

	<b>Six Months Ended November 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 150,474	\$ 163,916
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	78,372	72,271
Amortization of deferred charges	21,522	21,341
Stock-based compensation	6,911	4,809
Deferred income taxes	(1,840)	3,626
<b>Change in current assets and liabilities, net of acquisitions of businesses:</b>		
Accounts receivable, net	(8,064)	(8,216)
Inventories, net	(15,169)	(6,719)
Uniforms and other rental items in service	(6,237)	(17,422)
Prepaid expenses	(3,799)	(453)
Accounts payable	(509)	8,771
Accrued compensation and related liabilities	(8,685)	(22,250)
Accrued liabilities and other	(16,400)	(18,969)
Income taxes payable	(21,435)	68,413
<b>Net cash provided by operating activities</b>	<b>175,141</b>	<b>269,118</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(95,957)	(93,207)
Proceeds from sale or redemption of marketable securities	61,662	41,930
Purchase of marketable securities and investments	(23,222)	(22,861)
Acquisitions of businesses, net of cash acquired	(18,331)	(56,031)
Other	353	732
<b>Net cash used in investing activities</b>	<b>(75,495)</b>	<b>(129,437)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	7,500	296,000
Repayment of debt	(80,749)	(228,418)
Stock options exercised		7,752
Repurchase of common stock	(25,847)	(191,479)
Other	413	(3,800)
<b>Net cash used in financing activities</b>	<b>(98,683)</b>	<b>(119,945)</b>
Effect of exchange rate changes on cash and cash equivalents	(4,774)	1,544
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,811)</b>	<b>21,280</b>
Cash and cash equivalents at beginning of period	66,224	35,360

Edgar Filing: CINTAS CORP - Form 10-Q

Cash and cash equivalents at end of period	\$ 62,413	\$ 56,640
--	-----------	-----------

See accompanying notes.



**Table of Contents**

**CINTAS CORPORATION**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**(Amounts 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 most recent Form 10-K for the fiscal year ended May 31, 2008. 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.

Certain prior year amounts have been reclassified to conform to current year presentation.

**2. New Accounting Standards**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurements* (FAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosure requirements about fair value measurements. FASB Staff Position 157-2 delayed the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Cintas adopted FAS 157 on June 1, 2008, as required. The adoption of FAS 157 for our financial assets and liabilities did not have a material impact on Cintas' results of operations or financial condition. Cintas' adoption of FAS 157 is more fully described in Note 3 entitled Fair Value Measurements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations* (FAS 141(R)). Under FAS 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be 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. For Cintas, FAS 141(R) is effective for acquisitions and adjustments to an acquired entity's deferred tax asset and liability balances occurring after May 31, 2009. Cintas is currently evaluating the future impact and disclosures under FAS 141(R).

**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)****3. Fair Value Measurements**

Effective June 1, 2008, Cintas adopted FAS 157, which 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. FAS 157 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.

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, 2008			Fair Value
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 62,413	\$	\$	\$ 62,413
Marketable securities, available-for-sale	64,933			64,933
Accounts receivable, net		1,060		1,060
Other assets, net	13,575			13,575
<b>Total assets at fair value</b>	<b>\$ 140,921</b>	<b>\$ 1,060</b>	<b>\$</b>	<b>\$ 141,981</b>
Current accrued liabilities	\$	\$ 582	\$	\$ 582
<b>Total liabilities at fair value</b>	<b>\$</b>	<b>\$ 582</b>	<b>\$</b>	<b>\$ 582</b>

Accounts receivable, net, includes foreign currency average rate options. Other assets, net, include retirement assets.

**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)****4. Earnings per Share**

The following table represents a reconciliation of the shares used to calculate basic and diluted earnings per share for the respective periods:

	Three Months Ended November 30, 2008		Six Months Ended November 30, 2007	
<b>Numerator:</b>				
Net income	\$ 71,838	\$ 82,853	\$ 150,474	\$ 163,916
<b>Denominator:</b>				
Denominator for basic earnings per share weighted average shares	152,788	156,563	153,093	157,673
Effect of dilutive securities employee stock options	257	250	275	276
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions	153,045	156,813	153,368	157,949
Basic earnings per share	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04
Diluted earnings per share	\$ 0.47	\$ 0.53	\$ 0.98	\$ 1.04

**5. Goodwill, Service Contracts and Other Assets**

Changes in the carrying amount of goodwill and service contracts for the six months ended November 30, 2008, by operating segment, are as follows:

	Rental Uniforms & Ancillary Products	Uniform Direct Sales	First Aid, Safety & Fire Protection	Document Management	Total
<b>Goodwill</b>					
Balance as of June 1, 2008	\$863,581	\$23,956	\$165,544	\$262,488	\$1,315,569
Goodwill acquired			986	10,688	11,674
Foreign currency translation	(3,572)	(178)		(3,245)	(6,995)
Balance as of November 30, 2008	\$860,009	\$23,778	\$166,530	\$269,931	\$1,320,248



**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)**

	<b>Rental Uniforms &amp; Ancillary Products</b>	<b>Uniform Direct Sales</b>	<b>First Aid, Safety &amp; Fire Protection</b>	<b>Document Management</b>	<b>Total</b>
<b>Service Contracts</b>					
Balance as of June 1, 2008	\$ 84,574	\$ 328	\$ 41,944	\$ 25,911	\$ 152,757
Service contracts acquired			264	2,416	2,680
Service contracts amortization	(4,800)	(102)	(3,103)	(3,689)	(11,694)
Foreign currency translation	(5,009)	(83)		(508)	(5,600)
Balance as of November 30, 2008	\$ 74,765	\$ 143	\$ 39,105	\$ 24,130	\$ 138,143

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

	<b>As of November 30, 2008</b>		
	<b>Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Service contracts	\$ 330,623	\$ 192,480	\$ 138,143
Noncompete and consulting agreements	\$ 64,154	\$ 39,312	\$ 24,842
Investments	48,314		48,314
Other	10,712	3,080	7,632
<b>Total</b>	<b>\$ 123,180</b>	<b>\$ 42,392</b>	<b>\$ 80,788</b>

	<b>As of May 31, 2008</b>		
	<b>Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Service contracts	\$ 333,543	\$ 180,786	\$ 152,757
Noncompete and consulting agreements	\$ 63,894	\$ 34,625	\$ 29,269
Investments	46,012		46,012
Other	10,790	2,707	8,083
<b>Total</b>	<b>\$ 120,696</b>	<b>\$ 37,332</b>	<b>\$ 83,364</b>

## Edgar Filing: CINTAS CORP - Form 10-Q

Amortization expense was \$21,522 and \$21,341 for the six months ended November 30, 2008, and November 30, 2007, respectively. Estimated amortization expense, excluding any future acquisitions, for each of the next five years is \$42,021, \$38,674, \$34,929, \$28,865 and \$13,236, respectively.

**Table of Contents**

**CINTAS CORPORATION**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**(In thousands except per share data)**

**6. Debt, Derivatives and Hedging Activities**

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 instruments. 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. Cintas' hedging activities are transacted only with highly-rated institutions, reducing the exposure to credit risk in the event of nonperformance. 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.

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 swaps. No such instruments were outstanding as of November 30, 2008.

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 a credit to other comprehensive income of \$191 and \$69 for the three months ended November 30, 2008 and November 30, 2007, respectively and \$383 and \$138 for the six months ended November 30, 2008 and November 30, 2007, respectively.

To hedge the exposure of movements in the foreign currency rates, Cintas would use 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, 2008, Cintas had \$1,060 in average rate options included in accounts receivable and \$582 in forward contracts included in current accrued liabilities. These instruments reduced our foreign currency exchange loss by \$244 during the three months ended November 30, 2008.

**7. 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 three months ended November 30, 2008, unrecognized tax benefits related to continuing operations increased by approximately \$1,032 and accrued interest increased by approximately \$717.

**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)**

All U.S. federal income tax returns are closed to audit through fiscal 2004. 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 2001. Based on the resolution of the various audits, it is reasonably possible that the balance of unrecognized tax benefits could decrease by \$682 for the fiscal year ended May 31, 2009.

**8. Comprehensive Income**

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, 2008, and November 30, 2007 are as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>November 30,</b>		<b>November 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net income	\$ 71,838	\$ 82,853	\$ 150,474	\$ 163,916
Other comprehensive income:				
Foreign currency translation adjustment	(41,862)	13,138	(61,675)	15,951
Change in fair value of derivatives*	214	(3,873)	214	(3,873)
Amortization of interest rate lock agreements	191	69	383	138
Change in fair value of available-for-sale securities	139	7	156	152
Comprehensive income	\$ 30,520	\$ 92,194	\$ 89,552	\$ 176,284

\* Net of \$126 and \$2,304 of tax for the three and six month periods ended November 30, 2008, and November 30, 2007, respectively.

**9. Litigation and Other Contingencies**

Cintas is subject to legal proceedings 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 operations of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business, including the litigation discussed below.



**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)**

Cintas is a defendant in a purported class action lawsuit, *Paul Veliz, et al. v. Cintas Corporation*, 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 August 23, 2005, an amended complaint was filed alleging additional state law wage and hour claims under the following state laws: Arkansas, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, New Mexico, Ohio, Oregon, Pennsylvania, Rhode Island, Washington, West Virginia and Wisconsin. The plaintiffs are seeking unspecified monetary damages, injunctive relief or both. Cintas denies these claims and is defending the plaintiffs' allegations. On February 14, 2006, the court permitted plaintiffs to file a second amended complaint alleging state law claims in the 15 states listed above only with respect to the putative class members that may litigate their claims in court. No determination has been made by the court or an arbitrator regarding class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. If a court or arbitrator certifies a class in this action and there is an adverse verdict on the merits, or in the event of a negotiated settlement of the action, the resulting liability and/or any increased costs of operations on an ongoing basis could be material to Cintas. Any estimated liability relating to this lawsuit is not determinable at this time.

Cintas also 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 allege 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. Cintas is a defendant in another purported class action lawsuit, *Blanca Nelly Avalos, et al. v. Cintas Corporation (Avalos)*, currently pending in the United States District Court, Eastern District of Michigan, Southern Division. Ms. Avalos' claims have been dismissed, but her putative class complaint remains pending. The *Avalos* plaintiffs allege 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 seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. The claims in *Avalos* originally were brought in the previously disclosed lawsuit captioned *Robert Ramirez, et al. v. Cintas Corporation (Ramirez)*, filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division. On April 27, 2005, the EEOC intervened in the claims asserted in *Ramirez*. 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 is known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation (Serrano/Avalos)*, and remains pending in the United States District Court, Eastern District of Michigan, Southern Division. On October 27, 2008, the United States District Court in the Eastern District of Michigan granted a 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. Irrespective of this ruling, no determinations have been made in *Serrano/Avalos* as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. The non-service sales representative hiring claims in the previously disclosed *Ramirez* case that have not been dismissed remain pending in the Northern District of California, San Francisco Division, but were ordered to arbitration and stayed pending the completion of arbitration. The *Ramirez*

**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)**

purported class action claims currently in arbitration include allegations that Cintas failed to promote Hispanics into supervisory positions, discriminated against African-Americans and Hispanics in service sales representative route assignments and discriminated against African-Americans in hourly pay in Cintas Rental division only throughout the United States. The *Ramirez* plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. No filings or determinations have been made in *Ramirez* as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. 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. The *Grindle* case is stayed pending the class certification proceedings in *Serrano*. No filings or determinations have been made in *Grindle* as to class certification. There can be no assurance as to whether a class will be certified or, if a class is certified, as to the geographic or other scope of such class. In addition, a class action lawsuit, *Larry Houston, et al. v. Cintas Corporation (Houston)*, was filed on August 3, 2005, in the United States District Court for the Northern District of California on behalf of African-American managers alleging racial discrimination. On November 22, 2005, the court entered an order requiring the named plaintiffs in the *Houston* lawsuit to arbitrate all of their claims for monetary damages.

On July 17, 2008, Manville Personal Injury Settlement Trust filed a purported shareholder derivative lawsuit in the Court of Common Pleas, Hamilton County, Ohio, captioned *Manville Personal Injury Settlement Trust v. Richard T. Farmer, et al., A0806822* against certain directors and officers, alleging that they breached their fiduciary duties to Cintas by consciously failing to cause Cintas to comply with worker safety and employment-related laws and regulations. Cintas is named as a nominal defendant in the case. The complaint contends that, as a consequence of such alleged breach of duty, Cintas suffered substantial monetary losses and other injuries and seeks, among other things, an award of compensatory damages, other non-monetary remedies and expenses.

The litigation discussed above, if decided or settled adversely to Cintas, may, individually or in the aggregate, result in liability material to Cintas' financial condition or results of operations 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.

**10. Segment Information**

Cintas classifies its businesses into four operating segments in accordance with the criteria set forth in FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*. The Rental Uniforms and Ancillary Products operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels and other ancillary items. In addition to these rental items, 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.

**Table of Contents****CINTAS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(In thousands except per share data)**

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. Information related to the operations of Cintas' operating segments is set forth below.

	<b>Rental Uniforms &amp; Ancillary Products</b>	<b>Uniform Direct Sales</b>	<b>First Aid, Safety &amp; Fire Protection</b>	<b>Document Management</b>	<b>Corporate</b>	<b>Total</b>
<b>For the three months ended November 30, 2008</b>						
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
<b>For the three months ended November 30, 2007</b>						
Revenue	\$ 708,845	\$ 134,455	\$ 99,153	\$ 41,412	\$	\$ 983,865
Income (loss) before income taxes	\$ 117,999	\$ 15,750	\$ 7,346	\$ 4,348	\$ (11,197)	\$ 134,246
<b>As of and for the six months ended November 30, 2008</b>						
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	\$ 2,651,964	\$ 179,405	\$ 348,675	\$ 459,401	\$ 127,346	\$ 3,766,791
<b>As of and for the six months ended November 30, 2007</b>						
Revenue	\$ 1,419,199	\$ 253,260	\$ 201,409	\$ 79,125	\$	\$ 1,952,993
Income (loss) before income taxes	\$ 232,792	\$ 26,877	\$ 17,967	\$ 8,469	\$ (22,572)	\$ 263,533
Total assets	\$ 2,622,562	\$ 191,910	\$ 340,453	\$ 390,390	\$ 154,267	\$ 3,699,582

**Table of Contents**

**CINTAS CORPORATION**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**(In thousands except per share data)**

**11. 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, 2008**

	<b>Cintas Corporation</b>	<b>Corp. 2</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors</b>	<b>Eliminations</b>	<b>Cintas Corporation Consolidated</b>
<b>Revenue:</b>						
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
<b>Costs and expenses (income):</b>						
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****Three Months Ended November 30, 2007**

	<b>Cintas Corporation</b>	<b>Corp. 2</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors</b>	<b>Eliminations</b>	<b>Cintas Corporation Consolidated</b>	
<b>Revenue:</b>							
Rental uniforms and ancillary products	\$	\$ 513,329	\$ 144,415	\$ 51,369	\$ (268)	\$ 708,845	
Other services		356,308	143,889	17,282	(242,459)	275,020	
Equity in net income of affiliates		82,853			(82,853)		
		82,853	869,637	288,304	68,651	(325,580)	983,865
<b>Costs and expenses (income):</b>							
Cost of rental uniforms and ancillary products		318,055	87,279	29,674	(42,797)	392,211	
Cost of other services		238,888	120,862	10,978	(199,642)	171,086	
Selling and administrative expenses		217,932	42,766	15,648	(1,221)	275,125	
Operating income		82,853	94,762	37,397	12,351	(81,920)	145,443
Interest income			(500)	(1,296)		(1,796)	
Interest expense (income)		12,998	(1,595)	1,590		12,993	
Income before income taxes		82,853	81,764	39,492	12,057	(81,920)	134,246
Income taxes			31,735	15,285	4,373		51,393
Net income	\$	82,853	\$ 50,029	\$ 24,207	\$ 7,684	\$ (81,920)	\$ 82,853

**Table of Contents****CONDENSED CONSOLIDATING INCOME STATEMENT****Six Months Ended November 30, 2008**

	<b>Cintas Corporation</b>	<b>Corp. 2</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors</b>	<b>Eliminations</b>	<b>Cintas Corporation Consolidated</b>
<b>Revenue:</b>						
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
<b>Costs and expenses (income):</b>						
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

**Table of Contents****CONDENSED CONSOLIDATING INCOME STATEMENT**

Six Months Ended November 30, 2007

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non- Guarantors	Eliminations	Cintas Corporation Consolidated
<b>Revenue:</b>						
Rental uniforms and ancillary products	\$	\$ 1,031,292	\$ 289,695	\$ 98,720	\$ (508)	\$ 1,419,199
Other services		703,195	281,694	30,423	(481,518)	533,794
Equity in net income of affiliates	163,916				(163,916)	
	163,916	1,734,487	571,389	129,143	(645,942)	1,952,993
<b>Costs and expenses (income):</b>						
Cost of rental uniforms and ancillary products		639,328	174,236	57,531	(87,394)	783,701
Cost of other services		467,628	238,638	19,395	(394,309)	331,352
Selling and administrative expenses		435,157	91,744	27,575	(2,641)	551,835
Operating income	163,916	192,374	66,771	24,642	(161,598)	286,105
Interest income			(833)	(2,425)		(3,258)
Interest expense (income)		25,867	(3,113)	3,076		25,830
Income before income taxes	163,916	166,507	70,717	23,991	(161,598)	263,533
Income taxes		63,863	27,123	8,631		99,617
Net income	\$ 163,916	\$ 102,644	\$ 43,594	\$ 15,360	\$ (161,598)	\$ 163,916



**Table of Contents****CONDENSED CONSOLIDATING BALANCE SHEET**

As of November 30, 2008

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non- Guarantors	Eliminations	Cintas Corporation Consolidated
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 37,363	\$ 6,415	\$ 18,635	\$	\$ 62,413
Marketable securities				64,933		64,933
Accounts receivable, net		317,764	109,018	23,344	(16,295)	433,831
Inventories, net		224,867	21,489	7,861	(2,353)	251,864
Uniforms and other rental items in service		290,577	86,513	20,010	(25,357)	371,743
Deferred income tax asset (liability)			46,600	(1,779)		44,821
Prepaid expenses		4,891	9,839	946		15,676
Total current assets		875,462	279,874	133,950	(44,005)	1,245,281
Property and equipment, at cost, net		674,184	260,646	47,501		982,331
Goodwill			1,291,493	28,755		1,320,248
Service contracts, net		132,551	2,108	3,484		138,143
Other assets, net	1,868,141	1,605,360	1,779,041	276,338	(5,448,092)	80,788
	\$ 1,868,141	\$ 3,287,557	\$ 3,613,162	\$ 490,028	\$ (5,492,097)	\$ 3,766,791
<b>Liabilities and Shareholders Equity</b>						
Current liabilities:						
Accounts (receivable) payable	\$ (465,247)	\$ 275,912	\$ 305,472	\$ (47,548)	\$ 32,471	\$ 101,060
Accrued compensation and related liabilities		26,545	13,137	1,788		41,470
Accrued liabilities		40,885	142,179	6,475	(45)	189,494
Current income taxes payable (receivable)		7,639	(13,154)	(2,747)		(8,262)
Long-term debt due within one year		730	325		(219)	836
Total current liabilities	(465,247)	351,711	447,959	(42,032)	32,207	324,598
Long-term liabilities:						
Long-term debt due after one year		879,414	840	20,879	(31,412)	869,721
Deferred income taxes			121,700	4,579		126,279
Accrued liabilities			121,447			121,447
Total long-term liabilities		879,414	243,987	25,458	(31,412)	1,117,447
Total shareholders equity	2,333,388	2,056,432	2,921,216	506,602	(5,492,892)	2,324,746
	\$ 1,868,141	\$ 3,287,557	\$ 3,613,162	\$ 490,028	\$ (5,492,097)	\$ 3,766,791

**Table of Contents****CONDENSED CONSOLIDATING BALANCE SHEET**

As of May 31, 2008

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non- Guarantors	Eliminations	Cintas Corporation Consolidated
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 37,472	\$ 7,851	\$ 20,901	\$	\$ 66,224
Marketable securities				125,471		125,471
Accounts receivable, net		313,050	119,592	28,703	(31,267)	430,078
Inventories, net		218,109	18,349	8,928	(6,717)	238,669
Uniforms and other rental items in service		288,493	85,753	23,923	(27,753)	370,416
Deferred income tax asset (liability)			41,664	(2,254)		39,410
Prepaid expenses		5,048	5,876	1,144		12,068
Total current assets		862,172	279,085	206,816	(65,737)	1,282,336
Property and equipment, at cost, net		678,239	236,519	59,817		974,575
Goodwill			1,279,819	35,750		1,315,569
Service contracts, net		145,115	2,612	5,030		152,757
Other assets, net	1,736,604	1,608,496	1,751,433	369,232	(5,382,401)	83,364
	\$ 1,736,604	\$ 3,294,022	\$ 3,549,468	\$ 676,645	\$ (5,448,138)	\$ 3,808,601
<b>Liabilities and Shareholders Equity</b>						
Current liabilities:						
Accounts (receivable) payable	\$ (465,247)	\$ 292,027	\$ 255,399	\$ (6,000)	\$ 18,576	\$ 94,755
Accrued compensation and related liabilities		29,919	18,210	2,476		50,605
Accrued liabilities		54,260	146,669	7,916	(920)	207,925
Current income taxes (receivable) payable		340	12,686	(139)		12,887
Long-term debt due within one year		698	574		(202)	1,070
Total current liabilities	(465,247)	377,244	433,538	4,253	17,454	367,242
Long-term liabilities:						
Long-term debt due after one year		952,595	893	27,213	(37,965)	942,736
Deferred income taxes			118,479	5,705		124,184
Accrued liabilities			120,308			120,308
Total long-term liabilities		952,595	239,680	32,918	(37,965)	1,187,228
Total shareholders equity	2,201,851	1,964,183	2,876,250	639,474	(5,427,627)	2,254,131
	\$ 1,736,604	\$ 3,294,022	\$ 3,549,468	\$ 676,645	\$ (5,448,138)	\$ 3,808,601

**Table of Contents****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****Six Months Ended November 30, 2008**

	<b>Cintas Corporation</b>	<b>Corp. 2</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantors</b>	<b>Eliminations</b>	<b>Cintas Corporation Consolidated</b>
<b>Cash flows from operating activities:</b>						
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)
<b>Net cash provided by (used in) operating activities</b>	<b>157,385</b>	<b>89,889</b>	<b>113,382</b>	<b>(34,839)</b>	<b>(150,676)</b>	<b>175,141</b>
<b>Cash flows from investing activities:</b>						
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
<b>Net cash (used in) provided by investing activities</b>	<b>(131,538)</b>	<b>(16,782)</b>	<b>(108,456)</b>	<b>37,141</b>	<b>144,140</b>	<b>(75,495)</b>
<b>Cash flows from financing activities:</b>						
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
<b>Net cash (used in) provided by financing activities</b>	<b>(25,847)</b>	<b>(72,766)</b>	<b>(6,362)</b>	<b>(244)</b>	<b>6,536</b>	<b>(98,683)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(450)</b>		<b>(4,324)</b>		<b>(4,774)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(109)</b>	<b>(1,436)</b>	<b>(2,266)</b>		<b>(3,811)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>37,472</b>	<b>7,851</b>	<b>20,901</b>		<b>66,224</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>\$ 37,363</b>	<b>\$ 6,415</b>	<b>\$ 18,635</b>	<b>\$</b>	<b>\$ 62,413</b>

**Table of Contents****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****Six Months Ended November 30, 2007**

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non- Guarantors	Eliminations	Cintas Corporation Consolidated
<b>Cash flows from operating activities:</b>						
Net income	\$ 163,916	\$ 102,644	\$ 43,594	\$ 15,360	\$ (161,598)	\$ 163,916
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation		45,241	22,986	4,044		72,271
Amortization of deferred charges		19,627	675	1,039		21,341
Stock-based compensation	4,809					4,809
Deferred income taxes			3,626			3,626
Changes in current assets and liabilities, net of acquisitions of businesses:						
Accounts receivable, net		(8,028)	802	(1,178)	188	(8,216)
Inventories, net		(9,240)	4,479	(520)	(1,438)	(6,719)
Uniforms and other rental items in service		(13,514)	(2,834)	(194)	(880)	(17,422)
Prepaid expenses		162	(329)	(286)		(453)
Accounts payable		(188,490)	188,714	9,813	(1,266)	8,771
Accrued compensation and related liabilities		(13,786)	(7,369)	(1,095)		(22,250)
Accrued liabilities and other		(12,726)	(6,660)	(472)	889	(18,969)
Income taxes payable		6,286	62,460	(333)		68,413
<b>Net cash provided by (used in) operating activities</b>	<b>168,725</b>	<b>(71,824)</b>	<b>310,144</b>	<b>26,178</b>	<b>(164,105)</b>	<b>269,118</b>
<b>Cash flows from investing activities:</b>						
Capital expenditures		(57,966)	(31,642)	(3,599)		(93,207)
Proceeds from sale or redemption of marketable securities			34,254	7,676		41,930
Purchase of marketable securities and investments		(2,431)	(23,659)	(12,562)	15,791	(22,861)
Acquisitions of businesses, net of cash acquired		(46,655)		(9,376)		(56,031)
Other	18,747	109,701	(277,667)	68	149,883	732
<b>Net cash provided by (used in) investing activities</b>	<b>18,747</b>	<b>2,649</b>	<b>(298,714)</b>	<b>(17,793)</b>	<b>165,674</b>	<b>(129,437)</b>
<b>Cash flows from financing activities:</b>						
Proceeds from issuance of debt		296,000				296,000
Repayment of debt		(225,476)	(1,373)		(1,569)	(228,418)
Stock options exercised	7,752					7,752
Repurchase of common stock	(191,479)					(191,479)
Other	(3,745)	138		(193)		(3,800)
<b>Net cash (used in) provided by financing activities</b>	<b>(187,472)</b>	<b>70,662</b>	<b>(1,373)</b>	<b>(193)</b>	<b>(1,569)</b>	<b>(119,945)</b>
Effect of exchange rate changes on cash and cash equivalents				1,544		1,544
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,487</b>	<b>10,057</b>	<b>9,736</b>		<b>21,280</b>
Cash and cash equivalents at beginning of period		33,949	(24,834)	26,245		35,360
<b>Cash and cash equivalents at end of period</b>	<b>\$</b>	<b>\$ 35,436</b>	<b>\$ (14,777)</b>	<b>\$ 35,981</b>	<b>\$</b>	<b>\$ 56,640</b>

**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 and Canada. 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 in a few ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our ever 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 and safety, fire protection and document management. Finally, we will continue to evaluate strategic acquisitions as opportunities arise.

**RESULTS OF OPERATIONS**

Cintas classifies its businesses into four operating segments in accordance with the criteria set forth in Financial Accounting Standards Board (FASB) Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*. The Rental Uniforms and Ancillary Products operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels and other ancillary items. In addition to these rental items, 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. Revenue and income before income taxes for each of these operating segments for the three and six month periods ended November 30, 2008 and November 30, 2007, are presented in Note 10 entitled Segment Information of Notes to Consolidated Condensed Financial Statements.

**New Accounting Pronouncements**

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (FAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosure requirements about fair value measurements. FASB Staff

**Table of Contents**

Position 157-2 delayed the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Cintas adopted FAS 157 on June 1, 2008, as required. The adoption of FAS 157 for our financial assets and liabilities did not have a material impact on Cintas' results of operations or financial condition. Cintas' adoption of FAS 157 is more fully described in Note 3 entitled Fair Value Measurements of Notes to Consolidated Condensed Financial Statements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations* (FAS 141(R)). Under FAS 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be 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. For Cintas, FAS 141(R) is effective for acquisitions and adjustments to an acquired entity's deferred tax asset and liability balances occurring after May 31, 2009. Cintas is currently evaluating the future impact and disclosures under FAS 141(R).

**Three Months Ended November 30, 2008 Compared to Three Months Ended November 30, 2007**

Total revenue increased 0.1% for the three months ended November 30, 2008, over the same period in the prior fiscal year from \$983.9 million to \$985.2 million. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 0.8% during the quarter. This growth was mostly offset by an internal growth of -0.7%.

Rental Uniforms and Ancillary Products revenue increased 0.4% for the three months ended November 30, 2008, over the same period in the prior fiscal year from \$708.8 million to \$711.5 million. Internal growth accounted for the entire increase as a result of the sale of new rental programs to customers, offset by lost business.

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 0.5% for the three months ended November 30, 2008, over the same period in the prior fiscal year from \$275.0 million to \$273.7 million. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 3.0% during the quarter. This growth was mostly offset by an internal growth of -3.5%. This internal growth rate was negative during the quarter primarily as a result of decreased Uniform Direct Sales operating segment revenue, which decreased 10.7%.

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 increased \$9.4 million, or 2.4%, for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007. This increase included a \$2.2 million increase in energy related costs and a \$3.0 million increase in the cost of hangers. The increase in Rental Uniforms and Ancillary Products revenue also caused a slight increase 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 \$2.5 million, or 1.5%, for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007. This decrease was due to decreased Other Services sales volume and a change in the mix of Other Services revenue from the lower gross margin producing revenues of Uniform Direct Sales to the higher gross margin producing revenues of Document Management Services revenue and First Aid, Safety and Fire Protection Services revenue.

---

## **Table of Contents**

Selling and administrative expenses increased \$9.5 million, or 3.4%, for the three months ended November 30, 2008, as compared to the three months ended November 30, 2007. Medical costs increased by \$8.0 million over the same period in the prior fiscal year reflecting continued rising costs in the healthcare industry and additional claims incurred. In addition, bad debt expense increased by \$1.3 million.

Net interest expense (interest expense less interest income) was \$11.9 million for the three months ended November 30, 2008, which is relatively consistent with the \$11.2 million for the same period in the prior fiscal year.

Cintas' effective tax rate was 39.4% for the three months ended November 30, 2008, compared to 38.3% for the prior year period, reflecting the reserve requirements of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

Net income decreased \$11.0 million, or 13.3%, for the three months ended November 30, 2008, from the same period in the prior fiscal year. Diluted earnings per share were \$0.47 for the three months ended November 30, 2008, which was a decrease of 11.3% compared to the same period in the prior fiscal year. The decreased net income and diluted earnings per share are due primarily to a combination of increases, as described previously, in energy related costs, costs of hangers, medical costs, bad debt expense and the higher effective tax rate for the quarter.

### **Rental Uniforms and Ancillary Products Operating Segment**

#### **Three Months Ended November 30, 2008 Compared to Three Months Ended November 30, 2007**

As discussed above, Rental Uniforms and Ancillary Products revenue increased from \$708.8 million to \$711.5 million, or 0.4%, and the cost of rental uniforms and ancillary products increased \$9.4 million, or 2.4%. The operating segment's gross margin was \$309.8 million, or 43.6% of revenue. This gross margin percent to sales of 43.6% was lower than last fiscal year's second quarter of 44.7% mainly due to increased energy related costs and hanger costs. Energy related costs include natural gas, electric and gas, and they increased a combined 30 basis points over last year's second quarter. Hanger costs increased 40 basis points primarily as a result of an import tariff imposed by the U.S. government on hangers produced in China.

Selling and administrative expenses as a percent of revenue, at 28.3%, increased 30 basis points compared to the second quarter of the prior fiscal year. This increase is due to a 20 basis point increase in medical expenses and a 10 basis point increase in bad debt expense.

Income before income taxes decreased \$9.6 million to \$108.4 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 15.2% of the operating segment's revenue, which is a 140 basis point decrease compared to the second quarter of the prior fiscal year. This is primarily due to the increased energy related costs, hanger costs, medical costs and bad debt expense as indicated above.

### **Uniform Direct Sales Operating Segment**

#### **Three Months Ended November 30, 2008 Compared to Three Months Ended November 30, 2007**

Uniform Direct Sales operating segment revenue decreased from \$134.5 million to \$120.0 million, or 10.7%, for the three months ended November 30, 2008, over the same period in the prior fiscal year. There were no acquisitions in the Uniform Direct Sales operating segment during the three months ended November 30, 2008.

Cost of uniform direct sales decreased \$8.0 million, or 8.7%, for the three months ended November 30, 2008, due to decreased Uniform Direct Sales volume. The gross margin as a percent of revenue was 30.7% for the quarter ended November 30, 2008, which was a 150 basis point decrease over the same period in the prior fiscal year. This decrease is due to the decrease in Uniform Direct Sales volume.

---

## **Table of Contents**

Selling and administrative expenses as a percent of revenue, at 23.0%, increased 250 basis points compared to the second quarter of the prior fiscal year. This increase is mainly due to the drop in Uniform Direct Sales volume and in part due to higher bad debt expense, which increased approximately 50 basis points over last fiscal year's second quarter.

Income before income taxes decreased \$6.5 million to \$9.2 million for the Uniform Direct Sales operating segment for the period compared to the same period in the prior fiscal year. Income before income taxes was 7.7% of the operating segment's revenue compared to 11.7% for the same period last fiscal year. This decrease in income before income taxes is primarily due to the decrease in Uniform Direct Sales revenue.

### **First Aid, Safety and Fire Protection Services Operating Segment**

#### **Three Months Ended November 30, 2008 Compared to Three Months Ended November 30, 2007**

First Aid, Safety and Fire Protection Services operating segment revenue increased from \$99.2 million to \$100.5 million, or 1.3% for the three months ended November 30, 2008. The growth from acquisitions was partially offset by internal growth of -0.5%.

Cost of first aid, safety and fire protection services decreased \$0.7 million, or 1.1%, for the three months ended November 30, 2008. 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 40.2% for the quarter ended November 30, 2008, which is a 150 basis point increase compared to the gross margin percentage in the second quarter of the prior fiscal year. This increase is due to better utilization of fire installation labor and a change in the mix of revenue from the lower gross margin producing revenues of fire system installation revenues and national account first aid and safety programs to the higher gross margin producing revenues of fire test and inspection services and first aid services.

Selling and administrative expenses as a percent of revenue, at 32.6%, increased 130 basis points compared to the second quarter of the prior fiscal year. This increase is due to increased selling expenses associated with the development of our Fire Protection Services sales force.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment increased \$0.3 million to \$7.7 million for the period compared to the same period of the prior fiscal year. Income before income taxes was 7.6% of the operating segment's revenue, which is a 20 basis point increase compared to the second quarter of the prior fiscal year as a result of the various items described above.

### **Document Management Services Operating Segment**

#### **Three Months Ended November 30, 2008 Compared to Three Months Ended November 30, 2007**

Document Management Services operating segment revenue increased from \$41.4 million to \$53.2 million, or 28.5% for the three months ended November 30, 2008, over the same period in the prior fiscal year. Acquisitions in this segment accounted for growth of 15.5% during the quarter. This operating segment's internal growth for the period was 13.0% over the same period in the prior fiscal year. The internal growth was primarily due to the sale of shredding services to new customers and existing customers at Cintas' other segments.

Cost of document management services increased \$6.1 million, or 31.9%, for the three months ended November 30, 2008, due to increased Document Management Services operating segment sales 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 52.4% for the quarter ended November 30, 2008, which is a 120 basis point decrease compared to the gross margin percentage in the second quarter of the prior fiscal year. This decrease is due in part to a 63 basis point increase in energy related costs.



---

**Table of Contents**

Selling and administrative expenses as a percent of revenue, at 42.8%, decreased 30 basis points compared to the second quarter of the prior fiscal year. This decrease is due to improved scale of administrative functions resulting from the operating segment's increased sales volume.

Income before income taxes for the Document Management Services operating segment increased \$0.8 million to \$5.1 million for the period compared to the same period in the prior fiscal year. Income before income taxes was 9.6% of the operating segment's revenue, which is a 90 basis point decrease over the operating segment's revenue for the same period last fiscal year, primarily as a result of the increase in energy related costs described above.

**Six Months Ended November 30, 2008 Compared to Six Months Ended November 30, 2007**

Total revenue increased 1.8% for the six months ended November 30, 2008, over the same period in the prior fiscal year from \$1.95 billion to \$1.99 billion. Internal growth accounted for 1.6% of this increase. The remaining growth was derived through acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment.

Rental Uniforms and Ancillary Products revenue increased 1.0% for the six months ended November 30, 2008, over the same period in the prior fiscal year from \$1.42 billion to \$1.43 billion. Internal growth was 1.7% for the six month period, primarily as a result of the sale of new rental programs to customers, offset by lost business. The difference between the internal growth of 1.7% and the total growth of 1.0% represents the adjustment caused by one fewer work day in the six month period ended November 30, 2008 compared to the six month period ended November 30, 2007.

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, increased 3.9% for the six months ended November 30, 2008, over the same period in the prior fiscal year from \$533.8 million to \$554.5 million. Internal growth accounted for 1.1% of this increase. Internal growth was generated primarily through the increased sales of first aid, safety and fire protection products and services and document management services to new customers and existing customers at Cintas' other segments. Acquisitions of first aid, safety and fire protection businesses and document management businesses accounted for growth of 3.6%. The Other Services revenue growth rate was negatively impacted by 0.8% by one fewer work day in the six month period ended November 30, 2008 compared to the six month period ended November 30, 2007.

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 increased \$25.2 million, or 3.2%, for the six months ended November 30, 2008, as compared to the six months ended November 30, 2007. This increase was mainly due to increased Rental Uniforms and Ancillary Products operating segment revenue, a \$10.5 million increase in energy costs and a \$6.2 million increase in hanger 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 increased \$7.0 million, or 2.1%, for the six months ended November 30, 2008, as compared to the six months ended November 30, 2007. This increase was mainly due to increased Other Services sales volume.

Selling and administrative expenses increased \$20.1 million, or 3.6%, for the six months ended November 30, 2008, as compared to the six months ended November 30, 2007. Medical costs increased by \$15.3 million over the same period in the prior fiscal year reflecting continued rising costs in the healthcare industry and additional claims incurred. In addition, bad debt expense increased by \$3.4 million.

---

**Table of Contents**

Net interest expense (interest expense less interest income) was \$23.9 million for the six months ended November 30, 2008, compared to \$22.6 million for the same period in the prior fiscal year. This increase in net interest expense is primarily due to the increased level of borrowing used to fund acquisitions and to fund the share buybacks during our first quarter.

Cintas' effective tax rate was 38.4% for the six months ended November 30, 2008, compared to 37.8% for the prior year period, reflecting the reserve requirements of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

Net income decreased 8.2% for the six months ended November 30, 2008, from the same period in the prior fiscal year. Diluted earnings per share decreased 5.8% for the six months ended November 30, 2008, compared to the same period in the prior fiscal year. The decreased net income and diluted earnings per share are due to a combination of increases, as described previously, in energy related costs, costs of hangers, medical costs, bad debt expense and the higher effective tax rate for the period.

**Rental Uniforms and Ancillary Products Operating Segment**

**Six Months Ended November 30, 2008 Compared to Six Months Ended November 30, 2007**

As discussed above, Rental Uniforms and Ancillary Products revenue increased from \$1.42 billion to \$1.43 billion, or 1.0%, and the cost of rental uniforms and ancillary products increased \$25.2 million, or 3.2%. The operating segment's gross margin was \$623.9 million, or 43.5% of revenue. This gross margin percent to sales of 43.5% was lower than the 44.8% in the same period in the prior fiscal year mainly due to increased energy related costs and hanger costs. Energy related costs include natural gas, electric and gas, and they increased a combined 70 basis points over the same period in the prior fiscal year. Hanger costs increased 40 basis points primarily as a result of an import tariff imposed by the U.S. government on hangers produced in China.

Selling and administrative expenses in the Rental Uniforms and Ancillary Products operating segment as a percent to sales, at 28.5%, remained relatively consistent with the same period of the prior fiscal year.

Income before income taxes decreased \$17.4 million to \$215.4 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 a 140 basis point decrease compared to the same period in the prior fiscal year. This is primarily due to the increased energy related costs and hanger costs indicated above.

**Uniform Direct Sales Operating Segment**

**Six Months Ended November 30, 2008 Compared to Six Months Ended November 30, 2007**

Uniform Direct Sales operating segment revenue decreased from \$253.3 million to \$237.5 million, or 6.2%, for the six months ended November 30, 2008, over the same period in the prior fiscal year. There were no acquisitions in the Uniform Direct Sales operating segment during the six months ended November 30, 2008.

Cost of uniform direct sales decreased \$10.2 million, or 5.9%, for the six months ended November 30, 2008, due to decreased Uniform Direct Sales volume. The gross margin as a percent of revenue was 31.3% for the quarter ended November 30, 2008, which was a 20 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 volume.

Selling and administrative expenses as a percent of revenue, at 22.3%, increased 140 basis points for the six months ended November 30, 2008, compared to the same period in the prior fiscal year. This increase is mainly due to the drop in Uniform Direct Sales volume and in part due to higher bad debt expense, which increased approximately 46 basis points over last fiscal year's second quarter.

---

**Table of Contents**

Income before income taxes decreased \$5.6 million to \$21.2 million for the Uniform Direct Sales operating segment for the period compared to the same period in the prior fiscal year. Income before income taxes was 8.9% of the operating segment's revenue, which is a 170 basis point decrease compared to the same period in the prior fiscal year. This decrease is primarily due to the decreased Uniform Direct Sales volume.

**First Aid, Safety and Fire Protection Services Operating Segment**

**Six Months Ended November 30, 2008 Compared to Six Months Ended November 30, 2007**

First Aid, Safety and Fire Protection Services operating segment revenue increased from \$201.4 million to \$209.0 million, or 3.8% for the six months ended November 30, 2008. This operating segment's internal growth for the period was 2.5% over the same period last fiscal year. Acquisitions of first aid, safety and fire protection businesses accounted for growth of 2.1%. The First Aid, Safety and Fire Protection Services operating segment revenue growth rate was negatively impacted by 0.8% by one fewer work day in the six month period ended November 30, 2008 compared to the six month period ended November 30, 2007.

Cost of first aid, safety and fire protection services increased \$3.3 million, or 2.7%, for the six months ended November 30, 2008, due to increased 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 40.5% for the six months ended November 30, 2008, which is a 70 basis point increase compared to the gross margin percentage in the prior fiscal year. This increase is due to better utilization of fire installation labor and a change in the mix of revenue from the lower gross margin producing revenues of fire system installation revenues and national account first aid and safety programs to the higher gross margin producing revenues of fire test and inspection services and first aid services.

Selling and administrative expenses as a percent of revenue, at 31.4%, increased 50 basis points for the six months ended November 30, 2008, compared to the same period in the prior fiscal year. This increase is due to increased selling expenses associated with the development of our Fire Protection Services sales force.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment increased \$1.1 million to \$19.0 million for the period compared to the same period of the prior fiscal year. Income before income taxes was 9.1% of the operating segment's revenue, which is a 20 basis point increase 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, 2008 Compared to Six Months Ended November 30, 2007**

Document Management Services operating segment revenue increased from \$79.1 million to \$108.0 million, or 36.5% for the six months ended November 30, 2008, over the same period in the prior fiscal year. This operating segment's internal growth for the period was 18.9% over the same period in the prior fiscal year. The internal growth was primarily due to the sale of shredding services to new customers and favorable recycled paper prices relative to last fiscal year. Acquisitions of document management businesses accounted for growth of 18.6%. The Document Management Services operating segment revenue growth rate was negatively impacted by 1.0% by one fewer work day in the six month period ended November 30, 2008 compared to the six month period ended November 30, 2007.

Cost of document management services increased \$13.9 million, or 37.9%, for the six months ended November 30, 2008, due to increased Document Management Services operating segment sales 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 53.1% for the quarter ended November 30, 2008, which is a 50 basis point decrease over the gross margin percentage in the second quarter of the prior fiscal year. This decrease is due to a 120 basis point increase in energy related costs.

## **Table of Contents**

Selling and administrative expenses as a percent of revenue, at 41.6%, decreased 130 basis points for the six months ended November 30, 2008, compared to the same period in the prior fiscal year. This decrease is due to improved scale of administrative functions resulting from the operating segment's increased sales volume.

Income before income taxes for the Document Management Services operating segment increased \$4.0 million to \$12.5 million for the period compared to the same period in the prior fiscal year. Income before income taxes was 11.6% of the operating segment's revenue, which is a 90 basis point improvement over the operating segment's revenue for the same period last fiscal year, primarily as a result of the operating segment's increased sales volume.

## **Liquidity and Capital Resources**

At November 30, 2008, Cintas had \$127.3 million in cash and cash equivalents and marketable securities which is 33.6% less than the \$191.7 million at May 31, 2008. Capital expenditures were \$96.0 million for the six months ended November 30, 2008. We expect capital expenditures for the year ended May 31, 2009 to be between \$150 million and \$170 million. Cash and cash equivalents and marketable securities are expected to be used to finance future acquisitions, capital expenditures, expansion and additional purchases under the share buyback program as detailed below.

The financial markets have been volatile throughout the second quarter. This volatility has affected and may continue to affect our commercial paper rates. However, our exposure to higher rates is limited because approximately 90% of our debt has a fixed rate of interest. Additionally, our highly rated commercial paper program has allowed us continued access to the financial markets. Our commercial paper program has a capacity of \$600.0 million, and approximately \$82.8 million is outstanding as of November 30, 2008. In the event that the commercial paper market becomes inaccessible, our commercial bank supporting credit facility allows us to borrow up to the \$600.0 million limit. Our commercial paper program expires in February, 2011. We believe this program will be adequate to provide necessary funding for our operations.

Net property and equipment increased by \$7.8 million from May 31, 2008 to November 30, 2008, due to our investment in computer software, rental facilities and equipment and our document management services fleet. Cintas had three uniform rental facilities under construction as of November 30, 2008.

In May 2005, Cintas announced that the Board of Directors authorized a \$500.0 million share buyback program at market prices. In July 2006, Cintas announced that the Board of Directors approved the expansion of its share buyback program by an additional \$500.0 million. Cintas made no purchases under the share buyback program during the three months ended November 30, 2008. From the inception of the share buyback program through December 31, 2008, Cintas has purchased a total of approximately 20.3 million shares of Cintas common stock, or approximately 12% of the total shares outstanding at the beginning of the program, at an average price of \$39.31 per share for a total purchase price of approximately \$797.9 million. The maximum approximate dollar value of shares that may yet be purchased under the plan as of December 31, 2008, is \$202.1 million. The Board of Directors did not specify an expiration date for this program.

**Table of Contents**

Following is information regarding Cintas' long-term contractual obligations and other commitments outstanding as of November 30, 2008:

(In thousands)	Total	Payments Due by Period			
		One year or less	Two to three years	Four to five years	After five Years
<b>Long-term contractual obligations</b>					
Long-term debt (1)	\$ 869,675	\$ 554	\$ 83,987	\$ 233,805	\$ 551,329
Capital lease obligations (2)	882	282	240	240	120
Operating leases (3)	78,608	22,056	30,577	14,992	10,983
Interest payments (4)	662,619	50,235	99,686	77,734	434,964
Interest swap agreements (5)					
Unconditional purchase obligations					
<b>Total contractual cash obligations</b>	<b>\$ 1,611,784</b>	<b>\$ 73,127</b>	<b>\$ 214,490</b>	<b>\$ 326,771</b>	<b>\$ 997,396</b>

- (1) Long-term debt primarily consists of \$775,000 in long-term notes and \$82,769 in commercial paper.
- (2) Capital lease obligations are classified as debt on the consolidated balance sheets.
- (3) Operating leases consist primarily of building leases and a synthetic lease on a corporate aircraft.
- (4) Interest payments include interest on both fixed and variable rate debt. Rates have been assumed to remain constant for the remainder of fiscal 2009, increase 25 basis points each year in fiscal 2010 and fiscal 2011, and increase 50 basis points each year in fiscal 2012, fiscal 2013 and fiscal 2014.
- (5) Reference Note 6 entitled Debt, Derivatives and Hedging Activities of Notes to Consolidated Condensed Financial Statements for a detailed discussion of interest swap agreements.

(In thousands)	Total	Amount of Commitment Expiration Per Period			
		One year or less	Two to three years	Four to five years	After five Years
<b>Other commercial commitments</b>					
Lines of credit (1)	\$ 526,336	\$	\$ 526,336	\$	\$
Standby letter of credit (2)	73,664	73,625	39		
Guarantees					
Standby repurchase obligations					
Other commercial commitments					
<b>Total commercial commitments</b>	<b>\$ 600,000</b>	<b>\$ 73,625</b>	<b>\$ 526,375</b>	<b>\$</b>	<b>\$</b>

- (1) Back-up facility for the commercial paper program.
  - (2) Support certain outstanding long-term debt and self-insured workers' compensation and general liability insurance programs.
- 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, changes in Cintas' financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Litigation and Other Contingencies**

Cintas is subject to legal proceedings 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 operations of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to Note 9 entitled Litigation and Other Contingencies of Notes to Consolidated Condensed Financial Statements for a detailed discussion of certain specific litigation.



**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.*

*Also note that we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses under Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended May 31, 2008. We incorporate those items here and you should refer to them. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. 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. Consequently, you should not consider the risk factors identified in our Form 10-K for the year ended May 31, 2008, to be a complete discussion of all potential risks or uncertainties.*

**ITEM 3.****QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

In our normal operations, Cintas has market risk exposure to interest rates. This market risk exposure to interest rates has been previously disclosed on page 30 of our Form 10-K for the year ended May 31, 2008.

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 significant.

**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, 2008. 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, 2008, 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**

There were no 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, 2008, 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, 2008.



**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 9 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 14, 2008, at which the following issues were voted upon by shareholders:

Issue No. 1

Authority to elect nine Directors.

Name	Shares For	Shares Withheld
		Authority
Gerald S. Adolph	124,422,955	17,647,915
Paul R. Carter	124,450,769	17,620,101
Gerald V. Dirvin	121,831,677	20,239,193
Richard T. Farmer	136,804,457	5,266,413
Scott D. Farmer	139,143,267	2,927,603
Joyce Hergenhan	124,446,623	17,624,247
Robert J. Kohlhepp	139,456,433	2,614,437
David C. Phillips	99,035,315	43,035,555
Ronald W. Tysoe	134,549,383	7,521,487

## Edgar Filing: CINTAS CORP - Form 10-Q

### Issue No. 2

Ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2009.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Non-Votes</u>
	140,050,602	1,034,614	985,654	0

### Issue No. 3

Shareholder proposal to require that the Chairman of the Board of Directors be an independent director.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Non-Votes</u>
	40,588,484	85,362,359	1,179,993	14,940,034

**Table of Contents**

Issue No. 4

Shareholder proposal that shareholders of Cintas request the Board of Directors to adopt a policy that provides shareholders the opportunity to vote on an advisory resolution to ratify the compensation of the named executive officers.

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Non-Votes</u>
	37,197,406	87,242,449	2,690,981	14,940,034

Broker

**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, 2009

/s/ **WILLIAM C. GALE**  
**William C. Gale**  
**Senior Vice President and Chief Financial Officer**

**(Chief Accounting Officer)**