

CINTAS CORP  
Form 10-K/A  
May 18, 2011

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K/A**  
**(Amendment No. 1)**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 for the Fiscal Year Ended May 31, 2010

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

\_\_\_\_\_

Commission File No. 0-11399

**CINTAS CORPORATION**  
(Exact name of Registrant as specified in its charter)

Incorporated under  
the Laws of Washington  
(State or other jurisdiction  
of incorporation or organization)

IRS Employer ID  
No. 31-1188630

6800 Cintas Boulevard  
P.O. Box 625737  
Cincinnati, Ohio 45262-5737  
(Address of principal executive offices)  
Phone: (513) 459-1200  
(Telephone number of principal executive offices)  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
Common Stock, no par value

Name of each exchange on which registered  
The NASDAQ Stock Market LLC (NASDAQ Global Select Market)  
Securities registered pursuant to Section 12(g) of the Act:  
None

Indicate by checkmark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES  NO

Indicate by checkmark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES  NO

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, and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

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Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by a checkmark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

YES

NO

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

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

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Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES \_\_\_\_\_ NO ii

The aggregate market value of the Common Stock held by non-affiliates as of November 30, 2009, was \$4,294,096,390 based on a closing sale price of \$28.09 per share. As of June 30, 2010, 173,207,493 shares of Common Stock were issued and 152,869,848 shares were outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement to be filed with the Commission for its 2010 Annual Meeting of Shareholders are incorporated by reference in Part III as specified.

**Explanatory Note**

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act repealed Rule 436(g) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), thereby eliminating the exemption from the expert consent and liability provisions under the Securities Act for any credit ratings issued by a "nationally recognized statistical rating organization." As a result, companies that wish to include certain information relating to their ratings in periodic reports that may be incorporated by reference into future registration statements or prospectuses must obtain the consent of the applicable rating agencies. The Staff of the Securities and Exchange Commission issued Compliance & Disclosure Interpretations on July 22, 2010 stating that information constituting "issuer disclosure-related ratings information" will be permitted without the need for rating agencies' consent.

This Annual Report on Form 10-K/A (the "Amendment") solely modifies Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) in our Form 10-K for the year ended May 31, 2010, originally filed with the U.S. Securities and Exchange Commission on July 30, 2010 (the "Original Form 10-K"), to amend disclosures and references to our credit ratings so that, among other things, such disclosures and references constitute permissible "issuer disclosure-related ratings information." All other Items of the Original Form 10-K are unaffected by this Amendment and such Items have not been included in this Amendment. Information included in this Amendment is stated as of May 31, 2010, and does not reflect any subsequent events occurring after the filing of the Original Form 10-K.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation**

### **Business Strategy**

Cintas provides highly specialized products and services to businesses of all types primarily throughout North America and Latin America, Europe and Asia. We bring value to our customers by helping them provide a cleaner, safer and 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 cleaning services and supplies, carpet and tile cleaning services, first aid, safety and fire protection products and services, document management services and branded promotional products.

Cintas' principal objective is "to exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners," and it provides the framework and focus for our business strategy. This 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 several ways. Cintas has a national sales organization introducing all of our products and services to prospects in all business segments. Our broad 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 evaluate strategic acquisitions as opportunities arise.

### **Results of Operation**

The economic downturn that occurred in fiscal 2009 continued throughout most of our fiscal 2010. The U.S. economy, which lost millions of jobs in our fiscal 2009, continued to lose jobs through the first three quarters of our fiscal 2010. These job losses directly affected our business as many of our products and services are dependent on customer employee levels. We were encouraged, though, that the rate of U.S. job loss lessened as we progressed through the first three quarters of fiscal 2010, and U.S. employment levels slightly increased in our fourth fiscal 2010 quarter. As this stabilization occurred in the general U.S. economic environment, our internal growth rate improved.

Internal growth by quarter is shown in the table below. Internal growth percentages have been adjusted for the appropriate number of workdays, by quarter and for the year, where applicable.

	Internal Growth
First Quarter Ending August 31, 2009	-12.6%
Second Quarter Ending November 30, 2009	-10.2%
Third Quarter Ending February 28, 2010	-3.6%
Fourth Quarter Ending May 31, 2010	1.9%
For the Year Ending May 31, 2010	-6.4%

Despite the lower revenue level for the year, we were able to generate improved cash flow, with net cash provided by operating activities of \$561.6 million representing a 7.3% increase compared to fiscal 2009. We also increased the dividend paid to shareholders to \$0.48 per share, marking the 27<sup>th</sup> consecutive increase in the dividend paid.

Cintas classifies its businesses into four operating segments. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning 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.

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The following table sets forth certain consolidated statements of income data as a percent to revenue by operating segment and in total for the fiscal years ended May 31:

	2010	2009	2008
<b>Revenue:</b>			
Rental Uniforms and Ancillary Products	72.4%	73.0%	72.0%
Uniform Direct Sales	11.0%	11.4%	13.1%
First Aid, Safety and Fire Protection Services	9.5%	10.0%	10.3%
Document Management Services	7.1%	5.6%	4.6%
<b>Total revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Cost of sales:</b>			
Rental Uniforms and Ancillary Products	56.4%	56.7%	55.8%
Uniform Direct Sales	69.9%	75.2%	67.5%
First Aid, Safety and Fire Protection Services	61.1%	61.9%	60.1%
Document Management Services	48.6%	49.4%	45.4%
<b>Total cost of sales</b>	<b>57.8%</b>	<b>58.9%</b>	<b>57.3%</b>
<b>Gross margin:</b>			
Rental Uniforms and Ancillary Products	43.6%	43.3%	44.2%
Uniform Direct Sales	30.1%	24.8%	32.5%
First Aid, Safety and Fire Protection Services	38.9%	38.1%	39.9%
Document Management Services	51.4%	50.6%	54.6%
<b>Total gross margin</b>	<b>42.2%</b>	<b>41.1%</b>	<b>42.7%</b>
Selling and administrative expenses	30.6%	28.7%	28.0%
Legal settlements, net of insurance proceeds	0.7%		
Restructuring charges	-0.1%	0.3%	
Impairment of long-lived assets		1.3%	
Interest income	-0.1%	-0.1%	-0.1%
Interest expense	1.4%	1.3%	1.3%
<b>Income before income taxes</b>	<b>9.7%</b>	<b>9.6%</b>	<b>13.5%</b>

### Fiscal 2010 Compared to Fiscal 2009

Fiscal 2010 total revenue was \$3.5 billion, a decrease of 6.0% compared to fiscal 2009. Total revenue decreased organically by 6.4%. Fiscal 2010 had one more workday than fiscal 2009, and this additional workday in fiscal 2010 accounted for the difference between the total decrease of 6.0% and the organic decrease of 6.4%. As a result of the economic downturn discussed above, we experienced decreases in uniform revenue, both rented and purchased, and revenue for our hygiene products and first aid and safety products. In addition, the continued difficult economic environment in fiscal 2010 caused many of our customers to reduce facility spending on items such as entrance mats and shop towels and delay spending on facility upgrades, resulting in a reduction in our facility services and fire protection revenue.

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment decreased 6.7% compared to fiscal 2009. Rental Uniforms and

Ancillary Products operating segment revenue decreased organically by 6.9% in fiscal 2010. The decrease in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to decreased uniform wearers caused in large part by the difficult U.S. economic environment in fiscal 2010. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

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 4.1% compared to fiscal 2009. Other Services revenue decreased organically by 5.2%. Decreases in Uniform Direct Sales operating segment revenue and First Aid, Safety and Fire Protection Services operating segment revenue were offset by increased revenue in our Document Management Services operating segment. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 0.7% during fiscal 2010. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of rental uniforms and ancillary products decreased 7.2% compared to fiscal 2009. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost decrease compared to fiscal 2009 was primarily driven by the volume decrease in the Rental Uniforms and Ancillary Products operating segment revenue. We also incurred a loss on inventory valuation of \$8.4 million in fiscal 2009 that did not reoccur in fiscal 2010 related to excess inventory levels.

Cost of other services decreased 9.3% compared to fiscal 2009. 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. The decrease from fiscal 2009 was due to the volume decrease in Other Services revenue. We also incurred a loss on inventory valuation of \$19.1 million in fiscal 2009 that did not reoccur in fiscal 2010 related to excess inventory levels.

Selling and administrative expenses increased \$3.7 million, or 0.3%, compared to fiscal 2009. This increase is primarily due to a \$9.6 million increase in medical expenses, an increase of \$6.2 million in professional services and depreciation mainly related to the implementation of a new enterprise-wide computer system, and a \$3.4 million increase in stock compensation expense, offset by a \$15.6 million reduction in bad debt expense.

Legal settlements, net of insurance proceeds, of \$23.5 million primarily related to a settlement in principle occurring in the first quarter of fiscal 2010 between Cintas and the plaintiffs involved in the litigation, *Paul Veliz, et al. v. Cintas Corporation*. The principle terms of the settlement provide for an aggregate cash payment of approximately \$24 million. The pre-tax impact, net of insurance proceeds, was approximately \$19.5 million. This settlement is more fully described in Note 13 entitled Litigation and Other Contingencies in "Notes to Consolidated Financial Statements."

Operating income of \$390.8 million in fiscal 2010 decreased \$18.3 million, or 4.5%, compared to fiscal 2009. This decrease was primarily due to lower volumes resulting from the difficult U.S. economic environment in fiscal 2010.

Net interest expense (interest expense less interest income) decreased \$0.6 million from the prior fiscal year. This decrease was due to a \$1.1 million reduction in interest income caused by lower interest rates on Canadian treasury securities during fiscal 2010 compared to fiscal 2009, offset by a decrease of \$1.6 million in interest expense caused by lower levels of borrowings in fiscal 2010 compared to fiscal 2009.

Income before income taxes was \$343.9 million, a 4.9% decrease compared to fiscal 2009. This change reflects the decrease in operating income described above.



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Cintas' effective tax rate was 37.3% for fiscal 2010 as compared to 37.4% and 36.8% for fiscal 2009 and 2008, respectively (also see Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2010 of \$215.6 million was a 4.7% decrease compared to fiscal 2009, and diluted earnings per share of \$1.40 was a 5.4% decrease compared to fiscal 2009. These changes reflect the decrease in operating income described above.

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

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue decreased \$185.7 million, or 6.7%, and the cost of rental uniforms and ancillary products decreased \$112.7 million, or 7.2%. The operating segment's fiscal 2010 gross margin was 43.6% of revenue compared to 43.3% in fiscal 2009. Excluding a fiscal 2009 loss on inventory valuation of \$8.4 million, fiscal 2009 gross margin was 43.6%. Despite the lower volume, we were able to maintain the same gross margin (excluding the loss on inventory) as a percent to revenue due to lower material cost and due to cost reduction initiatives such as reducing both facility and route capacity resulting in lower depreciation, production labor and other facility related expenses.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment as a percent to revenue, at 30.6%, increased 270 basis points from 27.9% in fiscal 2009. This increase was due to increased medical expense and an increase in selling labor due to the addition of sales representatives.

The restructuring amount of (\$2.9) million in fiscal 2010 represents a change in estimate related to restructuring charges taken in fiscal 2009. The change in estimate represents the difference between severance and other exit costs estimated based on information available in fiscal 2009 and severance and other exit costs actually paid in fiscal 2010. See Note 2 entitled Restructuring and Related Activity of "Notes to Consolidated Financial Statements" for more information.

Income before income taxes decreased \$34.0 million to \$336.5 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2010 compared to fiscal 2009. This decrease is primarily due to the decrease in revenue described above combined with the increase in selling and administrative expenses.

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

Uniform Direct Sales operating segment revenue decreased \$42.0 million, or 9.8%, compared to fiscal 2009. Cost of uniform direct sales decreased \$52.3 million, or 16.2%, compared to fiscal 2009. The gross margin as a percent to revenue of 30.1% for fiscal 2010 increased from 24.8% in fiscal 2009. Excluding a fiscal 2009 loss on inventory valuation of \$16.1 million, gross margin as a percent to revenue was 28.5% in fiscal 2009. Despite the lower volume in fiscal 2010, we were able to improve the gross margin as a percent to revenue due to cost reduction initiatives such as reducing distribution facility labor to adjust to the lower volumes and by sourcing improvements.

Selling and administrative expenses as a percent to revenue, at 19.7%, decreased from 22.9% in fiscal 2009. This decrease is due to cost reduction initiatives to adjust the selling labor to better align with the current volume level.

Income before income taxes was \$40.1 million in fiscal 2010, an increase of \$36.9 million compared to fiscal 2009. Fiscal 2009 income before income taxes included a loss on inventory valuation of \$16.1 million and a charge of \$4.6 million related to restructuring activities. Additionally, the increase in income before income taxes in fiscal 2010 compared to fiscal 2009 is due primarily to cost reduction initiatives to reduce capacity, labor and other resources to better align with the current volume level.

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

First Aid, Safety and Fire Protection Services operating segment revenue decreased \$39.4 million in fiscal 2010, a 10.4% decrease compared to fiscal 2009. This operating segment's revenue decreased organically by 10.6%. The

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difficult U.S. economic environment, which included job losses in fiscal 2010 and reductions in facility spending, directly impacted this operating segment's revenue. Acquisitions accounted for an increase in revenue of 0.2%. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of first aid, safety and fire protection services decreased \$27.0 million, or 11.5%, in fiscal 2010, due primarily to decreased First Aid, Safety and Fire Protection Services operating segment 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 to revenue was 38.9% for fiscal 2010 compared to 38.1% in fiscal 2009. Excluding a fiscal 2009 loss on inventory valuation of \$3.0 million, gross margin as a percent to revenue was 38.9% in fiscal 2009. Despite the lower volume, we were able to maintain the same gross margin (excluding the loss on inventory) as a percent to revenue due to the elimination of lower margin fire installation business throughout the course of fiscal 2010 and due to cost reduction initiatives resulting in lower labor related expenses.

Selling and administrative expenses decreased by \$8.8 million in fiscal 2010 compared to fiscal 2009 primarily due to lower bad debt expense resulting from improved collection efforts. Selling and administrative expenses as a percent to revenue, at 34.9%, increased from 33.6% in fiscal 2009. This increase as a percent to revenue was due to lower volume.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment was \$13.4 million in fiscal 2010 compared to \$15.9 million in fiscal 2009. This decrease was primarily due to the reduced volume in First Aid, Safety and Fire Protection Services operating segment.

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

Document Management Services operating segment revenue increased \$39.8 million for fiscal 2010, or 18.6%, over fiscal 2009. This operating segment's internal growth for fiscal 2010 was 14.4% over fiscal 2009. The internal growth is primarily due to the sale of destruction services to new customers and an increase in recycled paper revenue. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The weighted average price of standard office paper, which accounts for the majority of the recycled paper revenue, increased by 6.4% in fiscal 2010 compared to fiscal 2009. Acquisitions accounted for revenue growth of 3.8%. Fiscal 2010 had one more workday than fiscal 2009, which resulted in an increase in revenue of 0.4%.

Cost of document management services increased \$17.7 million, or 16.8%, for fiscal 2010, due to increased Document Management Services operating segment volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent to revenue was 51.4% for fiscal 2010, an increase from 50.6% in fiscal 2009. This increase from fiscal 2009 is mainly due to the increase in recycled paper prices in fiscal 2010 compared to fiscal 2009.

Selling and administrative expenses as a percent to revenue was 41.8% for fiscal 2010 compared to 41.4% in fiscal 2009. This increase was due to an increase in selling labor due to the addition of sales representatives and increased medical expense.

Income before income taxes for the Document Management Services operating segment was \$24.3 million, an increase of \$4.9 million compared to fiscal 2009. Income before income taxes was 9.6% of the operating segment's revenue compared to 9.1% in fiscal 2009. This increase is due to the increase in the average price of standard office paper, offset by the increase in selling and administrative expenses.

**Fiscal 2009 Compared to Fiscal 2008**

The economic environment in fiscal 2009 presented challenges not experienced in decades. The financial crisis which began in September, 2008, caused many of our customers to immediately reduce spending. As the economic turmoil continued, we saw our customers make dramatic reductions in spending. Significant job losses in North America followed the financial crisis as these economies lost millions of jobs from October 2008 through May 2009.

The suddenness and severity of the economic downturn required us to react quickly to reduce our cost structure. Beginning in the second quarter of fiscal 2009, we closed two manufacturing plants in Kentucky, initiated hiring and wage freezes in many parts of the organization, eliminated many overhead positions and reduced discretionary and capital spending. These initiatives resulted in a reduction to selling and administrative expenses of approximately \$60 million when comparing the last six months of fiscal 2009 to the first six months of fiscal 2009.

In addition to the actions described above, we initiated restructuring activities during the fourth quarter of fiscal 2009 to reduce excess capacity and further reduce our cost structure. These activities included closing or converting to branches 16 of our rental processing plants and reducing our workforce by 1,200 employees. These restructuring activities were substantially completed in fiscal 2010. During the fourth quarter of fiscal 2009, we recorded charges of \$48.9 million in long-lived asset impairment costs, \$7.9 million in employee termination costs and \$2.3 million in other exit costs for a total of \$59.1 million that will be incurred as a result of this restructuring. The following summarizes these amounts by operating segment:

(In millions)	Rental Uniforms & Ancillary Products	Uniform Direct Sales	First Aid, Safety & Fire Protection	Document Management	Total
May 31, 2009					
Restructuring charges	\$ 8.8	\$ 0.5	\$ 0.6	\$ 0.3	\$ 10.2
Impairment of long-lived assets	44.2	4.1	0.6		48.9
Loss before income taxes	\$ 53.0	\$ 4.6	\$ 1.2	\$ 0.3	\$ 59.1

The significant deterioration of the North American economy, particularly in the last five months of the year ended May 31, 2009, which led to reduced revenue levels in our Rental Uniforms and Ancillary Products operating segment, our Uniform Direct Sales operating segment and our First Aid, Safety and Fire Protection Services operating segment, created excess inventory levels in these operating segments. As a result, we reduced the carrying amount of specific inventory to realizable values and recorded a pre-tax loss in the year ended May 31, 2009, of \$27.5 million. The following summarizes this loss by operating segment:

(In millions)	Rental Uniforms & Ancillary Products	Uniform Direct Sales	First Aid, Safety & Fire Protection	Document Management	Total
May 31, 2009					
Cost of rental uniforms and ancillary products	\$ 8.4	\$	\$	\$	\$ 8.4
Cost of other services		16.1	3.0		19.1
Loss on inventory valuation	\$ 8.4	\$ 16.1	\$ 3.0	\$	\$ 27.5

Fiscal 2009 total revenue was \$3.8 billion, a decrease of 4.1% compared to fiscal 2008. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 0.7% during fiscal 2009. Information related to acquisitions is discussed in Note 9 entitled Acquisitions of "Notes to Consolidated Financial Statements." Total revenue decreased organically by



4.5%. The difficult North American economic environment that began with the financial crisis in our second quarter of fiscal 2009 deteriorated in our third and fourth fiscal quarters of fiscal 2009. These economies lost millions of jobs from October, 2008, through May, 2009. Because of customer job losses, we experienced decreases in uniform revenue, both rented and purchased, and revenue for our hygiene products and first aid and safety products. In addition, facility closures by our customers reduced our volume of entrance mats, mops, shop towels and other facility needs such as fire protection services and document management services. Fiscal 2009 had one fewer workday than fiscal 2008, which resulted in a decrease in revenue of 0.3%.

Rental Uniforms and Ancillary Products operating segment revenue consists predominantly of revenue derived from the rental of corporate identity uniforms and other garments including flame resistant clothing, and the rental and/or sale of mats, mops, shop towels, restroom supplies and other rental services. Revenue from the Rental Uniforms and Ancillary Products operating segment decreased 2.8% compared to fiscal 2008. Rental Uniforms and Ancillary Products operating segment revenue decreased organically by 2.4% in fiscal 2009. The decrease in the Rental Uniforms and Ancillary Products operating segment revenue was primarily due to decreased uniform wearers caused in large part by job losses in the U.S. and Canadian economies during fiscal 2009. Fiscal 2009 had one fewer workday than fiscal 2008, which resulted in a decrease in revenue of 0.4%.

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 7.6% compared to fiscal 2008. Acquisitions in our First Aid, Safety and Fire Protection Services operating segment and our Document Management Services operating segment accounted for growth of 2.5% during fiscal 2009. Other Services revenue decreased organically by 9.7%. The turmoil in the U.S. and Canadian economies significantly affected our Other Services revenue, particularly in the Uniform Direct Sales and First Aid, Safety and Fire Protection Services operating segments. The revenue decreases in these operating segments were partially offset by increased revenue in our Document Management Services operating segment. Fiscal 2009 had one fewer workday than fiscal 2008, which resulted in a decrease in revenue of 0.4%.

Cost of rental uniforms and ancillary products decreased 1.2% compared to fiscal 2008. Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, mops, shop towels and other ancillary items. The cost decrease compared to fiscal 2008 was primarily driven by the volume decrease in the Rental Uniforms and Ancillary Products operating segment revenue. The cost decrease due to reduced volume was partially offset by a loss on inventory valuation of \$8.4 million, as described above.

Cost of other services decreased 1.9% compared to fiscal 2008. 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. The decrease from fiscal 2008 was due to the volume decrease in other services. The cost decrease due to reduced volume was partially offset by a loss on inventory valuation of \$19.1 million, as described above.

Selling and administrative expenses decreased \$21.4 million, or 1.9%, compared to fiscal 2008. This decrease is primarily due to a decrease of \$18.9 million in labor costs and payroll taxes related to our fiscal 2009 cost reduction efforts.

Operating income of \$409.1 million in fiscal 2009 decreased \$168.4 million, or 29.2%, compared to fiscal 2008. Excluding the loss on inventory valuation of \$27.5 million and the charges of \$59.1 million relating to the restructuring activities, operating income decreased by \$81.8 million, or 14.2%, compared to fiscal 2008. This decrease was primarily due to lower volumes brought on by the turmoil in the U.S. and Canadian economies in fiscal 2009.

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Net interest expense (interest expense less interest income) of \$46.9 million in fiscal 2010 increased \$0.7 million from the prior fiscal year. This increase was due to a \$3.3 million reduction in interest income caused by lower interest rates on Canadian treasury securities during fiscal 2009 compared to fiscal 2008, offset by a decrease of \$2.6 million in interest expense caused by lower levels of borrowings in fiscal 2009 compared to fiscal 2008.

Income before income taxes was \$361.6 million, a 31.9% decrease compared to fiscal 2008. This change reflects the decrease in operating income described above.

Cintas' effective tax rate was 37.4% for fiscal 2009 as compared to 36.8% for fiscal 2008 (also see Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for more information on income taxes).

Net income for fiscal 2009 of \$226.4 million was a 32.5% decrease compared to fiscal 2008, and diluted earnings per share of \$1.48 was a 31.2% decrease compared to fiscal 2008. These changes reflect the decrease in operating income described above.

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

As discussed above, Rental Uniforms and Ancillary Products operating segment revenue decreased \$79.6 million, or 2.8%, and the cost of rental uniforms and ancillary products decreased \$19.4 million, or 1.2%. The operating segment's gross margin was \$1,192.8 million, or 43.3% of revenue. This gross margin percent to revenue of 43.3% decreased from 44.2% in fiscal 2008. Excluding the loss on inventory valuation of \$8.4 million in fiscal 2009, the gross margin percent in fiscal 2009 was 43.6%. The decrease of 60 basis points from 44.2% in fiscal 2008 to 43.6% in fiscal 2009 is primarily due to the reduced volume in the Rental Uniforms and Ancillary Products operating segment.

Selling and administrative expenses for the Rental Uniforms and Ancillary Products operating segment as a percent to revenue, at 27.9%, decreased 40 basis points from 28.3% in fiscal 2008. This decrease was due to a reduction in labor costs associated with our cost reduction efforts.

Income before income taxes decreased \$80.7 million to \$370.5 million for the Rental Uniforms and Ancillary Products operating segment for fiscal 2009 compared to fiscal 2008. Income before income taxes was 13.4% of this operating segment's revenue. Excluding the loss on inventory valuation of \$8.4 million and the charges of \$53.0 million relating to the restructuring activities, income before income taxes as a percent to revenue was 15.7% in fiscal 2009, which is relatively consistent with the 15.9% in fiscal 2008.

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

Uniform Direct Sales operating segment revenue decreased \$89.1 million for fiscal 2009, a 17.2% decrease compared to fiscal 2008. There were no acquisitions in the Uniform Direct Sales operating segment during fiscal 2009.

Cost of uniform direct sales decreased \$26.9 million, or 7.7%, for fiscal 2009 due to decreased Uniform Direct Sales operating segment volume, partially offset by a loss on inventory valuation of \$16.1 million. The gross margin as a percent to revenue of 24.8% for fiscal 2009 decreased from 32.5% in fiscal 2008. Excluding the loss on inventory valuation of \$16.1 million in fiscal 2009, the gross margin percent in fiscal 2009 was 28.5%. The decrease from 32.5% in fiscal 2008 to 28.5% in fiscal 2009 is primarily due to the reduced volume.

Selling and administrative expenses as a percent to revenue, at 22.9%, increased from 20.0% in fiscal 2008. This increase is due to lower volume and an increase in bad debt expense of 70 basis points.

Income before income taxes was \$3.2 million in fiscal 2009, a decrease of \$61.5 million compared to fiscal 2008. This decrease is primarily due to the reduced volume in the Uniform Direct Sales operating segment, as well as the loss on inventory valuation of \$16.1 million and the charges of \$4.6 million relating to the restructuring activities.

Excluding the loss on inventory valuation and the charges relating to the restructuring activities, income before income taxes was \$24.0 million in fiscal 2009, a decrease of \$40.8 million.

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

First Aid, Safety and Fire Protection Services operating segment revenue decreased \$25.5 million in fiscal 2009, a 6.3% decrease compared to fiscal 2008. This operating segment's revenue decreased organically by 7.6%. The turmoil in the U.S. and Canadian economies during fiscal 2009 affected our First Aid, Safety and Fire Protection Services operating segment revenue. Our customers in this segment reduced their spending at the onset of the financial crisis in September, 2008, resulting in decreased revenue in fiscal 2009 compared to fiscal 2008. Acquisitions accounted for growth of 1.7%. Fiscal 2009 had one fewer workday than fiscal 2008, which resulted in a decrease in revenue of 0.4%.

Cost of first aid, safety and fire protection services decreased \$8.8 million, or 3.6%, in fiscal 2009, due to decreased First Aid, Safety and Fire Protection Services operating segment volume, partially offset by a loss on inventory valuation of \$3.0 million. 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 to revenue was 38.1% for fiscal 2009. Excluding the loss on inventory valuation of \$3.0 million in fiscal 2009, the gross margin percent in fiscal 2009 was 38.9%. The decrease from 39.9% in fiscal 2008 to 38.9% in fiscal 2009 is primarily due to the reduced volume.

Selling and administrative expenses as a percent to revenue, at 33.6%, increased from 31.0% in fiscal 2008. This increase was due to lower volume and an increase in bad debt expense of 130 basis points.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment was \$15.9 million in fiscal 2009 compared to \$35.6 million in fiscal 2008. This decrease of \$19.7 million was primarily due to the reduced volume in First Aid, Safety and Fire Protection Services operating segment, as well as the loss on inventory valuation of \$3.0 million and the charges of \$1.2 million relating to the restructuring activities. Excluding the loss on inventory valuation and the charges relating to the restructuring activities, income before income taxes was \$20.1 million, or 5.3% of revenue, in fiscal 2009 compared to 8.8% of revenue in fiscal 2008.

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

Document Management Services operating segment revenue increased \$30.9 million for fiscal 2009, or 17.0% over fiscal 2008. This operating segment's internal growth for fiscal 2009 was 6.0% over fiscal 2008. The internal growth is primarily due to the sale of destruction services to new customers, offset by a decline in recycled paper revenue. This operating segment derives revenue from the sale of shredded paper to paper recyclers. The weighted average price of standard office paper, which accounts for the majority of the recycled paper revenue, dropped by 24.2% in fiscal 2009 compared to fiscal 2008. Acquisitions accounted for growth of 11.4%. Fiscal 2009 had one fewer workday than fiscal 2008, which resulted in a decrease in revenue of 0.4%.

Cost of document management services increased \$22.7 million, or 27.4%, for fiscal 2009, due to increased Document Management Services 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 to revenue was 50.6% for fiscal 2009, down from 54.6% in fiscal 2008. This decrease from fiscal 2008 is mainly due to the sharp decline in recycled paper prices compared to fiscal 2008. The decrease in the average price of standard office paper resulted in a decrease in gross margin as a percent to revenue of 2.9%.

Selling and administrative expenses as a percent to revenue was 41.4% compared to 40.5% in fiscal 2008. This increase is due to the sharp decline in recycled paper prices compared to fiscal 2008. The decrease in the average price of standard office paper resulted in an increase in selling and administrative expense as a percent to revenue of 2.4%.

Income before income taxes for the Document Management Services operating segment was \$19.4 million, a decrease of \$6.4 million compared to fiscal 2008. Income before income taxes was 9.1% of the operating segment's revenue compared to 14.1% in fiscal 2008. The decrease in the average price of standard paper resulted in a decrease in income before income taxes as a percent to revenue of 14.5%.

## Liquidity and Capital Resources

At May 31, 2010, Cintas had \$566.1 million in cash, cash equivalents and marketable securities, representing an increase of \$316.0 million from May 31, 2009. This increase is attributable to the improvement in net working capital and lower use of cash for investing activities including capital expenditures. Net working capital (defined as current assets less current liabilities) increased by \$171.9 million at May 31, 2010 compared to May 31, 2009. Cash used for financing activities decreased by \$177.8 million in fiscal 2010 compared to fiscal 2009 due to a reduction in repayment of debt. As a result of the cash generated in fiscal 2010, we did not have any commercial paper outstanding as of May 31, 2010, under our commercial paper program discussed above.

Net cash provided by operating activities was \$561.6 million in fiscal 2010 as compared to \$523.5 million generated in fiscal 2009. This \$38.1 million increase is primarily a result of increases in working capital, offset by lower net income. Significant uses of cash in fiscal 2010 were capital expenditures of \$111.1 million, dividends of \$74.0 million and acquisitions of businesses, net of cash acquired, of \$50.4 million. Cash, cash equivalents and marketable securities will be used to finance future acquisitions and capital expenditures.

Marketable securities consist primarily of fixed income securities. Cintas believes that its investment policy pertaining to marketable securities is conservative. The criterion used in making investment decisions is the preservation of principal, while earning an attractive yield.

Accounts receivable increased \$8.6 million primarily due to higher fourth quarter revenue in fiscal 2010 compared to fiscal 2009. The average collection period in fiscal 2010 of 42 days remained comparable with fiscal 2009.

Inventories and uniforms and other rental items in service decreased \$36.2 million, or 6.7%, due to an overall reduction in inventory levels in response to customer demand driven by the current economic environment.

Net working capital increased \$171.9 million to \$1,141.3 million in fiscal 2010, primarily due to the increased cash balances discussed above offset by reductions in inventory levels.

Net property and equipment decreased \$20.1 million in fiscal 2010 versus fiscal 2009 due to normal ongoing property and equipment activity and a reduction in capital expenditures of \$49.0 million. Capital expenditures for fiscal 2010 totaled \$111.1 million, including \$68.2 million for the Rental Uniforms and Ancillary Products operating segment and \$27.9 million for the Document Management Services operating segment, while depreciation expense totaled \$152.1 million. During fiscal 2010, Cintas completed construction of one new uniform rental facility.

Long-term debt totaled \$786.1 million at May 31, 2010. This amount includes \$225.0 million of 10-year senior notes at a rate of 6.0% issued in fiscal 2002, \$250.0 million of 30-year senior notes issued in fiscal 2007 at a rate of 6.15% and \$300.0 million of 10-year senior notes issued in fiscal 2008 at a rate of 6.125%. Cintas utilizes a \$600.0 million commercial paper program. The commercial paper program is fully supported by a long-term credit facility that matures in fiscal 2011. As of May 31, 2010, there were no outstanding borrowings under this program. During fiscal 2009, Cintas initiated a \$7.5 million loan with PIDC Regional Center, LP for funding related to a facility being built in Philadelphia. It is a 5-year note with a 2.75% interest rate. Cintas' total debt to capitalization ratio has decreased from 24.9% at May 31, 2009, to 23.7% at May 31, 2010.

Our access to the commercial paper and long-term debt markets has historically provided us with sources of liquidity. We do not anticipate having difficulty in obtaining financing from those markets in the future in view of our



favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets on favorable interest rate and other terms will depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness.

Cintas has earned credit ratings on our senior notes of "A-" from Standard & Poor's and "A2" from Moody's. Cintas has also earned credit ratings of "A-2" from Standard & Poor's and "Prime-1" from Moody's on our commercial paper program. We believe these ratings reflect our commitment to conservative financial policies, strong financial management and a disciplined integration strategy for acquisitions.

In the event that the ratings of our commercial paper or our outstanding long-term debt issues were substantially lowered or withdrawn for any reason, or if the ratings assigned to any new issue of long-term debt securities were significantly lower than those noted above, particularly if we no longer had investment grade ratings, our ability to access the debt markets may be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt would be higher than our cost of funds would have been had the ratings of those new issues been at or above the level of the ratings noted above. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

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. Cintas is in compliance with all of the significant debt covenants for all periods presented. 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.

During fiscal 2010, Cintas paid dividends of \$74.0 million, or \$0.48 per share. On a per share basis, this dividend is an increase of 2.1% over the dividend paid in fiscal 2009. This marks the 27<sup>th</sup> consecutive year that Cintas has increased its annual dividend, every year since going public in 1983.

On May 2, 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. During fiscal 2010, Cintas did not make any common stock repurchases under the share buyback program. From the inception of the share buyback program through July 30, 2010, Cintas has purchased 20.3 million shares of Cintas' common stock at an average price of \$39.31 per share for a total purchase price of approximately \$798 million. The Board of Directors did not specify an expiration date for this program.

During fiscal 2010, Cintas purchased approximately 43,000 shares of Cintas' common stock in trade for employee payroll taxes due on restricted stock options that vested during the fiscal year. These shares were purchased at an average price of \$22.71 per share for a total purchase price of approximately \$1 million.

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Following is information regarding Cintas' long-term contractual obligations and other commitments outstanding as of May 31, 2010:

### Long-Term Contractual Obligations

(In thousands)	Payments Due by Period				
	Total	One year or less	Two to three years	Four to five years	After five years
Long-term debt <sup>(1)</sup>	\$ 786,053	\$ 609	\$ 226,278	\$ 8,690	\$ 550,476
Operating leases <sup>(2)</sup>	89,041	27,766	37,348	15,472	8,455
Interest payments <sup>(3)</sup>	611,555	49,520	85,382	43,918	432,735
Interest swap agreements					
Unconditional purchase obligations					
<b>Total long-term contractual cash obligations</b>	<b>\$ 1,486,649</b>	<b>\$ 77,895</b>	<b>\$ 349,008</b>	<b>\$ 68,080</b>	<b>\$ 991,666</b>

Cintas also makes payments to defined contribution plans. The amounts of contributions made to the defined contribution plans are made at the discretion of Cintas. Future contributions are expected to increase approximately 3% to 5% annually. Based on that increase, payments due in one year or less would be \$21,393, two to three years would be \$46,049 and four to five years would be \$50,769. Payments for years thereafter are expected to continue increasing by approximately 5% each year.

- (1) Long-term debt primarily consists of \$775,000 in senior notes. Reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for a detailed discussion of long-term debt.
- (2) Operating leases consist primarily of building leases.
- (3) Interest payments include interest on both fixed and variable rate debt. Rates have been assumed to increase 50 basis points in fiscal 2011, increase 150 basis points in fiscal 2012, increase 125 basis points in fiscal 2013, increase 100 basis points in both fiscal 2014 and 2015 and increase an additional 50 basis points in each year thereafter.

### Other Commitments

(In thousands)	Amount of Commitment Expiration per Period				
	Total	One year or less	Two to three years	Four to five years	After five years
Lines of credit <sup>(1)</sup>	\$ 504,122	\$ 504,122			
Standby letters of credit <sup>(2)</sup>	95,878	95,878			
Guarantees					
Standby repurchase obligations					

Other commercial commitments

Total other commitments \$ 600,000 \$ 600,000 \$ \$

(1) Back-up facility for the commercial paper program (reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements" for further discussion).

(2) Support certain outstanding debt (reference Note 6 entitled Long-Term Debt and Derivatives of "Notes to Consolidated Financial Statements"), self-insured workers' compensation and general liability insurance programs.

**Inflation and Changing Prices**

Changes in wages, benefits and energy costs have the potential to materially impact Cintas' financial results. Medical benefit costs increased as a percent to revenue due to increased utilization and rising healthcare industry costs. Medical benefits were 4.0% of total revenue in fiscal 2010 and 3.5% of total revenue in fiscal 2009.

Management believes inflation has not had a material impact on Cintas' financial condition or a negative impact on results of operation.

## **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 operation of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to "Part I, Item 3. Legal Proceedings" and Note 13 entitled Litigation and Other Contingencies of "Part II, Item 8. Notes to Consolidated Financial Statements" for a detailed discussion of certain specific litigation.

## **New Accounting Standards**

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

Effective June 1, 2009, Cintas adopted fair value measurements guidance for all nonfinancial assets and nonfinancial liabilities recognized or disclosed at fair value on a nonrecurring basis. The guidance defines fair value, establishes guidance for measuring fair value and expands disclosures regarding fair value measurements. The adoption did not have a material impact on our consolidated financial statements. See Note 3 entitled Fair Value Measurements of "Notes to Consolidated Financial Statements" for additional information.

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

Effective June 1, 2009, Cintas adopted new guidance for determining whether instruments granted in share-based payment transactions are participating securities. This guidance provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method of determining earnings per share. The adoption did not have a material impact on basic or diluted earnings per share. Cintas' adoption is more fully described in Note 11 entitled Earnings per Share of "Notes to Consolidated Financial Statements."

Effective June 1, 2009, Cintas adopted new guidance on subsequent events. The objective of this guidance is to establish general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before the consolidated financial statements are issued or are available to be issued. This adoption did not have a material impact on Cintas' results of operations or financial condition.

## Critical Accounting Policies

The preparation of Cintas' consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that have a significant effect on the amounts reported in the consolidated financial statements and accompanying notes. These critical accounting policies should be read in conjunction with Note 1 entitled Significant Accounting Policies of "Notes to Consolidated Financial Statements." Significant changes, estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the consolidated financial statements.

### Revenue recognition

Rental revenue, which is recorded in the Rental Uniforms and Ancillary Products operating segment, is recognized when services are performed. Other services revenue, which is recorded in the Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services operating segments, is recognized when either services are performed or when products are shipped and the title and risks of ownership pass to the customer.

### Allowance for doubtful accounts

Cintas establishes an allowance for doubtful accounts. This allowance includes an estimate based on historical rates of collectability and allowances for specific accounts identified as uncollectible. The allowance that is an estimate based on historical rates of collectability is recorded for overdue amounts, beginning with a nominal percentage and increasing substantially as the account ages. The amount provided as the account ages will differ slightly between the Rental Uniforms and Ancillary Products operating segment and the three other operating segments because of differences in customers served and the nature of each operating segment.

### Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Cintas applies a commonly accepted practice of using inventory turns to apply variances between actual and standard costs to the inventory balances. The judgments and estimates used to calculate inventory turns will have an impact on the valuation of inventories at the lower of cost or market. An inventory obsolescence reserve is determined by specific identification, as well as an estimate based on historical rates of obsolescence.

### Uniforms and other rental items in service

Uniforms and other rental items in service are valued at cost less amortization, calculated using the straight-line method. Uniforms in service (other than cleanroom and flame resistant clothing) are amortized over their useful life of 18 months. Other rental items including shop towels, mats, cleanroom garments, flame resistant clothing, linens and restroom dispensers are amortized over their useful lives which range from 8 to 48 months. The amortization rates used are based on industry experience, Cintas' specific experience and wear tests performed by Cintas. These factors are critical to determining the amount of in service inventory that is presented in the consolidated financial statements.

### Property and equipment

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is typically 30 to 40 years for buildings, 5 to 20 years for building improvements, 3 to 10 years for equipment and 2 to 15 years for leasehold improvements. When events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the estimated undiscounted future cash flows are compared to the carrying amount of the assets. If the estimated undiscounted future cash flows are less than the carrying amount of the assets, an impairment loss is recorded based on the excess of the carrying amount of the assets over their respective fair values. Fair value is generally determined by discounted cash flows or based on prices of similar assets, as

appropriate. Long-lived assets that are held for sale are reported at the lower of the carrying amount or the fair value, less estimated costs to sell.

**Goodwill and impairment**

Goodwill, obtained through acquisitions of businesses, is valued at cost less any impairment. Cintas completes an annual impairment test which includes the determination of the fair value of its reporting units. This test includes comparisons to current market values, where available, and discounted cash flow analyses. Significant assumptions include growth rates based on historical trends and margin improvement leveraged from such growth. The methodology used is consistent with prior years. Based on the results of the impairment tests, Cintas has not recognized an impairment of goodwill for the fiscal years ended May 31, 2010, 2009 or 2008.

**Service contracts and other assets**

Service contracts and other assets, which consist primarily of noncompete and consulting agreements obtained through acquisitions of businesses, are amortized by use of the straight line method over the estimated lives of the agreements, which are generally 5 to 10 years. Certain noncompete agreements, as well as all service contracts, require that a valuation be determined using a discounted cash flow model. The assumptions and judgments used in these models involve estimates of cash flows and discount rates, among other factors. Because of the assumptions used to value these intangible assets, actual results over time could vary from original estimates. Impairment of service contracts and other assets is accomplished through specific identification. No impairment has been recognized by Cintas for the fiscal years ended May 31, 2010, 2009 or 2008.

### **Stock-based compensation**

Compensation expense is recognized for all share-based payments to employees, including stock options, in the consolidated statements of income based on the fair value of the awards that are granted. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Measured compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period of the related share-based compensation award. See Note 12 entitled Stock-Based Compensation of "Notes to Consolidated Financial Statements" for further information.

### **Litigation and environmental matters**

Cintas is subject to legal proceedings and claims related to environmental matters arising from the ordinary course of business. U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. While a significant change in assumptions and judgments could have a material impact on the amounts recorded for contingent liabilities, Cintas does not believe that they will result in a material adverse effect on the consolidated financial statements.

A detailed discussion of litigation matters is discussed in Note 13 entitled Litigation and Other Contingencies of "Notes to Consolidated Financial Statements."

### **Income taxes**

Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. See Note 8 entitled Income Taxes of "Notes to Consolidated Financial Statements" for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. Deferred income taxes that are not related to an asset or liability for financial reporting are classified according to the expected reversal date. Cintas regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. As a result of this review, Cintas has not established a valuation allowance against the deferred tax assets.

Cintas is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, Cintas records reserves as deemed appropriate. Based on Cintas' evaluation of current tax positions, Cintas believes its accruals are appropriate.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ Scott D. Farmer  
Scott D. Farmer  
Chief Executive Officer

DATE SIGNED: May 18, 2011



**EXHIBIT INDEX**

Exhibit Number	Description of Exhibit
3.1	Restated Articles of Incorporation, as amended (Incorporated by reference to Exhibit 4.1 to Cintas' Form S-3 Registration Statement filed on December 3, 2007.)
3.2	Amended and Restated By-laws (Incorporated by reference to Exhibit 3 to Cintas' Form 8-K dated October 14, 2008.)
4.1	Indenture dated as of May 28, 2002, among Cintas Corporation No. 2, as issuer, Cintas Corporation, as parent guarantor, the subsidiary guarantors thereto and Wachovia Bank, National Association, as trustee (Incorporated by reference to Cintas' Form 10-Q for the quarter ended February 28, 2005.)
4.2	Form of 6% Senior Note due 2012 (Incorporated by reference to Cintas' Form 10-Q for the quarter ended February 28, 2005.)
4.3	Form of 6.15% Senior Note due 2036 (Incorporated by reference to Cintas' Form 8-K dated August 17, 2006.)
10.1*	Incentive Stock Option Plan (Incorporated by reference to Cintas' Registration Statement No. 33-23228 on Form S-8 filed under the Securities Act of 1933.)
10.2*	Partners' Plan, as Amended (Incorporated by reference to Cintas' Registration Statement No. 33-56623 on Form S-8 filed under the Securities Act of 1933.)
10.3*	1999 Cintas Corporation Stock Option Plan (Incorporated by reference to Cintas' Form 10-Q for the quarter ended November 30, 2000.)
10.4*	Directors' Deferred Compensation Plan (Incorporated by reference to Cintas' Form 10-Q for the quarter ended November 30, 2001.)
10.5*	Amended and Restated 2003 Directors' Stock Option Plan (Incorporated by reference to Cintas' Form 10-K dated May 31, 2004.)
10.6*	Form of agreement signed by Officers, General/Branch Managers, Professionals and Key Managers, including Executive Officers (Incorporated by reference to Cintas' Form 10-Q for the quarter ended February 28, 2005.)
10.7*	President and CEO Executive Compensation Plan (Incorporated by reference to Cintas' Form 10-K dated May 31, 2005.)
10.8*	2006 Executive Incentive Plan (Incorporated by reference to Cintas' Form 10-K dated May 31, 2005.)
10.9*	2005 Equity Compensation Plan (Incorporated by reference to Cintas' Registration Statement No. 333-131375 on Form S-8 filed under the Securities Act of 1933.)
10.10*	Criteria for Performance Evaluation of the President and CEO (Incorporated by reference to Cintas' Form 10-K dated May 31, 2006.)
10.11*	2007 Executive Incentive Plan (Incorporated by reference to Cintas' Form 10-K dated May 31, 2006.)
14	Code of Ethics (Incorporated by reference to Cintas' Form 10-K dated May 31, 2004.)
21**	Subsidiaries of the Registrant
23**	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Principal Executive Officer, Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934



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31.2 Certification of Principal Financial Officer, Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

32.1\*\* Certification of Chief Executive Officer, Pursuant to 18 U.S.C. § 1350

32.2\*\* Certification of Chief Financial Officer, Pursuant to 18 U.S.C. § 1350

\*

Management compensatory contracts

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Filed with the Registrant's original Annual Report on Form 10-K for the year ended May 31, 2010, which was originally filed on July 30, 2010.

Cintas will provide shareholders with any exhibit upon the payment of a specified reasonable fee, which fee shall be limited to Cintas' reasonable expenses in furnishing such exhibit.

QuickLinks

Explanatory Note

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

EXHIBIT INDEX