CINTAS CORP
Form 10-Q
April 05, 2007

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

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THESECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 2007

OR

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

For the transition period from ____________________ to ____________________

Commission file number 0-11399

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

WASHINGTON (State or other jurisdiction of incorporation or organization)	31-1188630 (I.R.S. Employer Identification No.)

6800 CINTAS BOULEVARD
P.O. BOX 625737
CINCINNATI, OHIO 45262-5737
(Address of principal executive offices)
(Zip Code)

(513) 459-1200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12 b-2 of the Exchange Act.

Large Accelerated Filer ü Accelerated Filer ___ Non-Accelerated Filer ___

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

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

Class	Outstanding March 31, 2007
Common Stock, no par value	158,652,776

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

	Three Months Ended February 28, 2007	Three Months Ended February 28, 2006 (Restated)*	Nine Months Ended February 28, 2007	Nine Months Ended February 28, 2006 (Restated)*
Revenue:				
Rentals	$ 665,647	$ 631,322	$ 2,037,796	$ 1,890,920
Other services	239,751	205,099	705,029	604,761
	905,398	836,421	2,742,825	2,495,681
Costs and expenses (income):				
Cost of rentals	371,185	350,655	1,129,500	1,039,738
Cost of other services	148,386	132,796	445,944	397,024
Selling and administrative expenses	253,128	224,420	745,884	670,014
Interest income	(1,339)	(1,925)	(4,488)	(4,959)
Interest expense	11,584	7,239	36,499	22,059
	782,944	713,185	2,353,339	2,123,876
Income before income taxes	122,454	123,236	389,486	371,805
Income taxes	45,727	46,642	145,270	139,950
Net income	$ 76,727	$ 76,594	$ 244,216	$ 231,855
Basic earnings per share	$ .48	$ .46	$ 1.52	$ 1.38
Diluted earnings per share	$ .48	$ .45	$ 1.52	$ 1.37
Dividends declared per share			$ 0.39	$ 0.35

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

See accompanying notes.

CINTAS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands except share data)

	February 28, 2007 (Unaudited)	May 31, 2006 (Restated)*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,558	$ 38,914
Marketable securities	125,935	202,539
Accounts receivable, net	393,155	389,905
Inventories, net	227,083	198,000
Uniforms and other rental items in service	339,082	337,487
Prepaid expenses	14,926	11,163
Total current assets	1,131,739	1,178,008
Property and equipment, at cost, net	900,772	863,783
Goodwill	1,226,176	1,136,175
Service contracts, net	172,842	179,965
Other assets, net	75,960	67,306
	$ 3,507,489	$ 3,425,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 69,540	$ 71,635
Accrued compensation and related liabilities	57,014	50,134
Accrued liabilities	234,840	188,927
Income taxes:		
Current	51,057	43,694
Deferred	39,506	51,669
Long-term debt due within one year	229,139	4,288
Total current liabilities	681,096	410,347
Long-term debt due after one year	654,376	794,454
Deferred income taxes	115,858	130,244
Shareholders' equity:		
Preferred stock, no par value:		
100,000 shares authorized, none outstanding	----	----
Common stock, no par value:		
425,000,000 shares authorized,		
FY 2007: 172,838,020 issued and 158,640,697 outstanding		
FY 2006: 172,571,083 issued and 163,181,738 outstanding	130,389	120,860
Paid in capital	44,939	47,644
Retained earnings	2,443,139	2,260,917

Treasury stock:				
FY 2007: 14,197,323 shares				
FY 2006: 9,389,345 shares		(580,562)		(381,613)
Other accumulated comprehensive income		18,254		42,384
Total shareholders' equity		2,056,159		2,090,192
	$	3,507,489	$	3,425,237

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

See accompanying notes.

CINTAS CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended February 28,	
Cash flows from operating activities:	2007	2006
		(Restated)*
Net income	$ 244,216	$ 231,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	100,036	94,014
Amortization of deferred charges	30,015	24,130
Stock-based compensation	2,746	4,507
Deferred income taxes	(19,062)	7,399
Change in current assets and liabilities, net of acquisitions of businesses:		
Accounts receivable	911	(14,187)
Inventories	(28,176)	11,984
Uniforms and other rental items in service	(1,595)	(11,240)
Prepaid expenses	(3,676)	(790)
Accounts payable	(2,070)	(9,210)
Accrued compensation and related liabilities	6,880	511
Accrued liabilities	(15,511)	(32,293)
Tax benefit on exercise of stock options	(37)	(706)
Income taxes payable	7,400	4,947
Net cash provided by operating activities	322,077	310,921
Cash flows from investing activities:		
Capital expenditures	(128,636)	(102,080)
Proceeds from sale or redemption of marketable securities	102,871	74,820
Purchase of marketable securities	(24,901)	(11,346)
Acquisitions of businesses, net of cash acquired	(135,011)	(327,983)
Other	(16,303)	(13,830)
Net cash used in investing activities	(201,980)	(380,419)
Cash flows from financing activities:		
Proceeds from issuance of debt	252,460	173,000
Repayment of debt	(167,687)	(7,068)
Stock options exercised	9,529	11,404
Tax benefit on exercise of stock options	37	706
Purchase of common stock	(198,949)	(114,170)
Other	(22,843)	10,473
Net cash (used in) provided by financing activities	(127,453)	74,345
Net (decrease) increase in cash and cash equivalents	(7,356)	4,847

Cash and cash equivalents at beginning of period		38,914		43,196
Cash and cash equivalents at end of period	$	31,558	$	48,043

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

See accompanying notes.

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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles 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, 2006. A summary of our significant accounting policies is presented on page 36 of that report. There has been no material changes in the accounting policies followed by Cintas during the fiscal year, with the exception of the new accounting standard discussed in Note 2 below.

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 Standard

At February 28, 2007, Cintas had an equity compensation plan, which is described in Note 6. Prior to June 1, 2006, Cintas accounted for this plan under the intrinsic value method proscribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Effective June 1, 2006, Cintas adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-retrospective transition method. Under that transition method, all prior periods have been restated based on the amounts previously calculated in the pro forma footnote disclosures required by Statement 123. Statement 123(R) requires all share-based payments to employees, including stock options, to be recognized as an expense in the statement of income based on their fair values. Due to this restatement, Cintas' income before income taxes and net income decreased by $1,151 for the three months ended February 28, 2006, and $3,396 for the nine months ended February 28, 2006. This adoption lowered basic earnings per share for the third quarter of fiscal 2006 from $0.47 per share to $0.46 per share for the quarter. Likewise, diluted earnings per share for the third quarter of fiscal 2006 were lowered from $0.46 per share to $0.45 for the quarter. This adoption also lowered basic earnings per share year-to-date from $1.40 per share to $1.38 per share. In addition, diluted earnings per share year-to-date were lowered from $1.39 per share to $1.37 per share. The cumulative effect of the change on total shareholders' equity as of May 31, 2006, was less than $1,000.

As a result of adopting Statement 123(R) on June 1, 2006, Cintas' income before income taxes and net income for the nine months ended February 28, 2007, are $2,746 and $1,739 lower, respectively, than if it had continued to account for share-based compensation under Opinion 25. Basic earnings per share are $.02 lower and diluted earnings per share are $.01 lower for the nine months ended February 28, 2007, than if Cintas had continued to account for share-based compensation under Opinion 25.

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

3. 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 February 28,		Nine Months Ended February 28,	
	2007	2006 (Restated)*	2007	2006 (Restated)*
Numerator:				
Net income	$ 76,727	$ 76,594	$ 244,216	$ 231,855
Denominator:				
Denominator for basic earnings per share-weighted average shares	159,311	168,038	160,144	168,321
Effect of dilutive securities-employee stock options	388	561	406	594
Denominator for diluted earnings per share-adjusted weighted average shares and assuming conversions	159,699	168,599	160,550	168,915
Basic earnings per share	$ .48	$ .46	$ 1.52	$ 1.38
Diluted earnings per share	$ .48	$ .45	$ 1.52	$ 1.37

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

4. Goodwill, Service Contracts and Other Assets

Changes in the carrying amount of goodwill and service contracts for the nine months ended February 28, 2007, by operating segment, are as follows:

	Rentals	Other Services	Total
<u>Goodwill</u>			
Balance as of June 1, 2006	$ 855,135	$ 281,040	$ 1,136,175
Goodwill acquired	(2,181)	93,436	91,255
Foreign currency translation	(952)	(302)	(1,254)
Balance as of February 28, 2007	$ 852,002	$ 374,174	$ 1,226,176

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

	Rentals	Other Services	Total
Service Contracts			
Balance as of June 1, 2006	$ 132,391	$ 47,574	$ 179,965
Service contracts acquired	304	16,225	16,529
Service contracts amortization	(14,903)	(7,316)	(22,219)
Foreign currency translation	(1,364)	(69)	(1,433)
Balance as of February 28, 2007	$ 116,428	$ 56,414	$ 172,842

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

	As of February 28, 2007		
	Carrying Amount	Accumulated Authorization	Net
Service contracts	$ 309,419	$ 136,577	$ 172,842
Noncompete and consulting agreements	$ 56,081	$ 21,370	$ 34,711
Investments	34,846	----	34,846
Other	10,428	4,025	6,403
Total	$ 101,355	$ 25,395	$ 75,960

	As of May 31, 2006		
	Carrying Amount	Accumulated Amortization	Net
Service contracts	$ 295,929	$ 115,964	$ 179,965
Noncompete and consulting agreements	$ 45,801	$ 15,484	$ 30,317
Investments	33,754	----	33,754
Other	6,758	3,523	3,235
Total	$ 86,313	$ 19,007	$ 67,306

Amortization expense was $30,015 and $24,130 for the nine months ended February 28, 2007 and February 28, 2006, respectively. Estimated amortization expense, excluding any future acquisitions, for each of the next five years is $40,661, $40,099, $37,468, $34,437 and $30,766, respectively.

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

5. Debt, Derivatives and Hedging Activities

On August 15, 2006, Cintas issued $250,000 of senior notes due in 2036. This debt bears an interest rate of 6.15% paid semi-annually beginning February 15, 2007. The proceeds generated from the offering were used to repay a portion of our outstanding commercial paper borrowings.

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. Cintas periodically uses derivatives for fair value hedging and cash flow hedging purposes. There were no fair value hedges in place as of February 28, 2007.

Cash flow hedges are derivative instruments that hedge the exposure of variability in short-term interest rates. These agreements effectively convert a portion of the floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The effective portion of the net gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains or losses on the ineffective portion of the hedge are charged to earnings in the current period. When outstanding, the effectiveness of these derivative instruments is reviewed at least every fiscal quarter. Examples of cash flow hedging instruments that Cintas may use are interest rate swaps, lock agreements and forward starting swaps. There were no interest rate swap or lock agreements outstanding as of February 28, 2007. There was a cash settled forward starting swap in place as of February 28, 2007, which is discussed below.

During the third quarter of fiscal 2006, Cintas entered into a cash settled forward starting swap to protect forecasted interest payments from interest rate movement for an anticipated $200,000 debt issuance in fiscal 2008. The Hypothetical Derivative Method is used to measure hedge effectiveness. Cintas expects the forward starting swap to be perfectly effective as the critical terms of the anticipated debt issuance will perfectly offset the hedged cash flows of the forecasted interest payments. When the $200,000 of hedged debt is issued, the lender will make a payment to Cintas if the 30-year Treasury rate has increased since the inception of the cash settled forward starting swap. Conversely, if the 30-year Treasury rate decreases during that period, Cintas will pay the lender. The value of the cash settled forward starting swap prior to the debt issuance is recorded in other comprehensive income in shareholders' equity and other assets or accrued liabilities depending on the value of the swap at the end of each reporting period. Once the debt is issued, the value of the forward starting swap will be settled with cash and will be amortized to earnings over the term of the debt issuance.

Cintas used interest rate lock agreements to hedge against movements in the treasury rates at the time Cintas issued its senior notes, both for the senior notes issued in fiscal 2002 and the senior notes issued in fiscal 2007. The amortization of the cash flow hedges resulted in a credit to other comprehensive income of $104 for the three months ended February 28, 2007, and $281 for the nine months ended February 28, 2007.

Cintas has certain significant 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. Were a default of a significant covenant to occur, the default could result in an acceleration of indebtedness, impair liquidity and limit the ability to raise future capital. Cintas' debt, net of cash and marketable securities, is $726,022 as of February 28, 2007. For the nine months ended February 28, 2007, net cash provided by operating activities was $322,077 and capital expenditures were $128,636.

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

6. Stock-Based Compensation

Under the 2005 equity compensation plan, which was approved by shareholders and adopted by Cintas in fiscal 2006, Cintas may grant officers and key employees equity compensation in the form of stock options, stock appreciation rights, restricted and unrestricted stock, performance awards and other stock unit awards up to an aggregate of 14,000,000 shares of Cintas' common stock. The compensation cost charged against income was $1,497 and $1,462 for the three month periods ended February 28, 2007 and February 28, 2006, respectively. The compensation cost charged against income was $2,746 and $4,507 for the nine month periods ended February 28, 2007 and February 28, 2006, respectively. The amount recorded in the nine month period ended February 28, 2007, reflects a cumulative catch-up adjustment of $2,169 ($2,088 after tax), due to a change in the estimated forfeitures for certain existing stock option and restricted stock grants. Basic and diluted earnings per share for the nine months ended February 28, 2007, are both $.01 higher, respectively, due to this change in estimated forfeitures. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $310 and $117 for the three month periods ended February 28, 2007 and 2006, respectively, and was $1,007 and $418 for the nine month periods ended February 28, 2007 and 2006, respectively.

Stock Options

Stock options are granted at the fair market value of the underlying common stock on the date of grant. The option terms are determined by the Cintas Compensation Committee, but no stock option may be exercised later than ten years after the date of the grant. The option awards generally have ten year terms with graded vesting in years five through ten based on continuous service during that period. Cintas recognizes compensation expense for these options using the straight-line recognition method over the vesting period.

The fair value of these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	Three and Nine Months Ended February 28,	
	2007	2006
Risk-free interest rate	4.00%	4.00%
Dividend yield	.70%	.50%
Expected volatility of Cintas' common stock	35%	35%
Expected life of the option in years	7.5	9

The risk-free interest rate is based on U.S. government issues with a remaining term equal to the expected life of the stock options. The determination of expected volatility is based on historical volatility of Cintas stock over the period commensurate with the expected term of stock options, as well as other relevant factors. The weighted average expected term was determined based on the historical employee exercise behavior of the options. The weighted-average grant date fair value of stock options granted during the three months ended February 28, 2007, was $17.39 and was $20.95 for the three months ended February 28, 2006. The weighted-average grant date fair value of stock options granted during the nine months ended February 28, 2007, was $16.02 and was $20.95 for the nine months ended February 28, 2006.

The information presented in the following table relates primarily to stock options granted and outstanding under either the plan adopted in fiscal 2006 or under previously adopted plans:

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

	Shares	Weighted Average Exercise Price
Outstanding May 31, 2006 (2,718,180 shares exercisable)	6,535,404	$ 40.08
Granted	1,061,005	37.60
Forfeitures/Cancellations	(157,435)	42.52
Exercised	(144,607)	18.95
Outstanding August 31, 2006 (2,707,855 shares exercisable)	7,294,367	$ 40.09
Granted	111,500	41.31
Forfeitures/Cancellations	(198,545)	42.02
Exercised	(79,038)	24.38
Outstanding November 30, 2006 (2,561,212 shares exercisable)	7,128,284	$ 40.23
Granted	43,350	41.02
Forfeitures/Cancellations	(256,675)	40.04
Exercised	(125,049)	24.49
Outstanding February 28, 2007 (2,394,238 shares exercisable)	6,789,910	$ 40.53

The intrinsic value of stock options exercised in the three and nine months ended February 28, 2007, was $2,086 and $6,154, respectively.

The following table summarizes the information related to stock options outstanding at February 28, 2007:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number Outstanding	Average Remaining Option Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 18.04 - $ 39.19	1,651,096	6.48	$ 33.72	469,989	$ 26.63
39.29 - 41.98	1,965,764	5.72	40.67	919,399	41.77
42.06 - 44.33	1,652,000	6.58	42.35	432,650	42.76
44.43 - 53.19	1,521,050	6.95	45.67	572,200	47.69
$ 18.04 - $ 53.19	6,789,910	6.39	$ 40.53	2,394,238	$ 40.39

At February 28, 2007, the aggregate intrinsic value of stock options outstanding and exercisable was $11,848 and $6,451, respectively.

Restricted Stock

Restricted stock consists of Cintas' common stock which is subject to such conditions, restrictions and limitations as the Cintas Compensation Committee determines to be appropriate. The vesting period is generally three years after the grant date.

The information presented in the following table relates to restricted stock granted and outstanding under the plan adopted in fiscal 2006:

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

	Shares		Weighted Average Price
Outstanding, unvested grants at May 31, 2006	128,075	$	36.08
Granted	230,365		38.06
Cancelled	-		-
Vested	-		-
Outstanding, unvested grants at August 31, 2006	358,440	$	37.36
Granted	15,866		38.97
Cancelled	(2,460)		36.08
Vested	-		-
Outstanding, unvested grants at November 30, 2006	371,846	$	37.43
Granted	4,780		37.38
Cancelled	(1,878)		36.08
Vested	-		-
Outstanding, unvested grants at February 28, 2007	374,748	$	37.44

The remaining unrecognized compensation cost related to unvested stock options and restricted stock at February 28, 2007, was approximately $41,639, and the weighted-average period of time over which this cost will be recognized is 3.7 years.

Cintas reserves shares of common stock to satisfy share option exercises and/or future restricted stock grants. At February, 2007, 13,205,262 shares of common stock are reserved for future issuance under the 2005 plan.

During fiscal 2005, the Compensation Committee of the Board of Directors approved a resolution to accelerate the vesting for certain “out-of-the-money” options. The “out-of-the-money” options that were accelerated were provided to employees during fiscal 2000, 2001, 2002 and 2003. The Compensation Committee approved this acceleration in order to provide these employees the increased benefit of exercising these options when they become “in-the-money” and to avoid recognizing future compensation expense related to outstanding options under Statement 123(R). After amendment of all underlying option agreements, compensation expense to be recognized in the statement of income during the first year of adoption of Statement 123(R) was reduced by approximately $3,500.

7. 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 earnings. 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 and the change in the fair value of available-for-sale securities. The components of comprehensive income for the three and nine month periods ended February 28, 2007 and February 28, 2006 are as follows:

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

	Three Months Ended February 28, 2007	Three Months Ended February 28, 2006 (Restated)*	Nine Months Ended February 28, 2007	Nine Months Ended February 28, 2006 (Restated)*
Net income	$ 76,727	$ 76,594	$ 244,216	$ 231,855
Other comprehensive income:				
Foreign currency translation adjustment	(4,575)	4,299	(11,669)	15,086
Change in fair value of derivatives**	3,358	(3,974)	(13,330)	(3,828)
Change in fair value of available-for-sale securities, net of $130 and $505 of tax, respectively	229	----	869	----
Comprehensive income	$ 75,739	$ 76,919	$ 220,086	$ 243,113

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

** Net of ($1,911) of tax for the three months ended February 28, 2007, and net of $7,994 of tax for the nine months ended February 28, 2007.

8. 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 consolidated 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.

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 ordered a majority of the opt-in plaintiffs to arbitrate their claims in accordance with the terms of their Cintas employment agreement. On February 14, 2006, the court also 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*, filed on May 10, 2004, and pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Serrano*"). *Serrano* alleges that Cintas discriminated against women in

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

hiring into various SSR positions across all divisions of Cintas throughout the United States. 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, *Nelly Blanca Avalos, et al. v. Cintas Corporation*, currently pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Avalos*"). *Avalos* alleges that Cintas discriminated against women, African-Americans and Hispanics in hiring into various SSR positions in Cintas' Rental division only throughout the United States. On April 27, 2005, the EEOC intervened in the claims asserted in *Avalos*. 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*, filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division ("*Ramirez*"). On May 11, 2006, however, those claims were severed from *Ramirez* and transferred to the Eastern District of Michigan, Southern Division, where the case was re-named *Avalos*. On July 10, 2006, *Avalos* and *Serrano* were consolidated for all pretrial purposes, including proceedings on class certification. The consolidated case is known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation*, and remains pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Serrano/Avalos*"). No filings or 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-SSR 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* 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 SSR 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. In addition, a class action lawsuit, *Larry Houston, et al. v. Cintas Corporation,* 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 ("*Houston*"). 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. If there is an adverse verdict or a negotiated settlement of all or any of these actions, the resulting liability and/or any increased costs of operations on an ongoing basis could be material to Cintas. Any estimated liability relating to these proceedings is not determinable at this time.

Several other similar administrative proceedings are pending including two charges filed on November 30, 2004, by an EEOC Commissioner with the EEOC Systemic Litigation Unit alleging: (i) failure to hire and assign females to production job positions; and (ii) failure to hire females, African-Americans and Hispanics into the Management Trainee program. The investigations of these allegations are pending and no determinations have been made. On August 29, 2006, the EEOC Indianapolis District Office issued a dismissal and notice of rights and closed its file on the Clifton Cooper charge served on Cintas on March 23, 2005, by Cooper on behalf of himself and a similarly situated class with the EEOC Systemic Litigation Unit alleging discriminatory pay and treatment due to race. Mr. Cooper's claims are now part of the *Houston* arbitration matter disclosed hereinabove.

Cintas is also a defendant in a lawsuit, *J. Lester Alexander, III vs. Cintas Corporation, et al.*, which was originally filed on October 25, 2004, and is currently pending in the Circuit Court of Randolph County, Alabama. The case was brought by J. Lester Alexander, III, the Chapter 7 Trustee (the "Trustee") of Terry Manufacturing Company, Inc. ("TMC") and Terry Uniform Company, LLC ("TUC"), against Cintas in Randolph County, Alabama. The Trustee seeks damages against Cintas for allegedly breaching fiduciary duties to TMC and TUC and for allegedly aiding and abetting breaches of fiduciary duties by others to

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those entities. The complaint also includes allegations that Cintas breached certain limited liability company agreements, or alternatively, misrepresented its intention to perform its obligations in those agreements and acted as alter egos of the bankrupt TMC and is therefore liable for all of TMC's debts. The Trustee is seeking $50,000 in compensatory damages and $100,000 in punitive damages. Cintas denies these claims and is vigorously defending itself against all claims in the complaint. Cintas filed counterclaims against J. Lester Alexander, III and cross claims against Roy Terry, Rudolph Terry and Cotina Terry (collectively referred to herein as the Individual Co-Defendants). The Individual Co-Defendants have filed cross claims against Cintas alleging fraudulent inducement, breach of fiduciary duty, negligence and wantonness. If there is an adverse verdict on the merits or in the event of a negotiated settlement of this lawsuit, the resulting liability could be material to Cintas. Any estimated liability relating to this lawsuit is not determinable at this time.

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

9. Segment Information

Cintas classifies its businesses into two operating segments, Rentals and Other Services, based on the similar economic characteristics of the products and services within each segment. The Rentals operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels. In addition to these rental items, restroom and hygiene products and services are also provided within this segment. The Other Services operating segment consists of the direct sale of uniforms and related items, first aid, safety and fire protection products and services, document management services and branded promotional products. Both segments provide these products and services throughout the United States and Canada to businesses of all types - from small service and manufacturing companies to major corporations that employ thousands of people.

Information as to the operations of Cintas' different business segments is set forth below based on the distribution of products and services offered. Cintas evaluates performances based on several factors of which the primary financial measures are business segment revenue and income before income taxes.

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	Rentals	Other Services	Corporate	Total
For the three months ended February 28, 2007				
Revenue	$ 665,647	$ 239,751	$ ----	$ 905,398
Income (loss) before income taxes	$ 105,179	$ 27,520	$ (10,245)	$ 122,454
For the three months ended February 28, 2006 (Restated)*				
Revenue	$ 631,322	$ 205,099	$ ----	$ 836,421
Income (loss) before income taxes	$ 108,654	$ 19,896	$ (5,314)	$ 123,236
As of and for the nine months ended February 28, 2007				
Revenue	$ 2,037,796	$ 705,029	$ ----	$ 2,742,825
Income (loss) before income taxes	$ 347,056	$ 74,441	$ (32,011)	$ 389,486
Total assets	$ 2,525,832	$ 824,164	$ 157,493	$ 3,507,489
As of and for the nine months ended February 28, 2006 (Restated)*				
Revenue	$ 1,890,920	$ 604,761	$ ----	$ 2,495,681
Income (loss) before income taxes	$ 336,443	$ 52,462	$ (17,100)	$ 371,805
Total assets	$ 2,491,807	$ 619,756	$ 250,801	$ 3,362,364

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

10. 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 $700,000 of long-term notes, which are unconditionally guaranteed, jointly and severally, by Cintas Corporation 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' financial statements. The condensed consolidating financial statements should be read in conjunction with the 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 below:

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CONDENSED CONSOLIDATING INCOME STATEMENT
THREE MONTHS ENDED FEBRUARY 28, 2007

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Revenue:						
Rentals	$ ----	$ 489,272	$ 135,225	$ 41,335	$ (185)	$ 665,647
Other services	----	326,636	131,720	12,932	(231,537)	239,751
Equity in net income of affiliates	76,727	----	----	----	(76,727)	----
	76,727	815,908	266,945	54,267	(308,449)	905,398
Costs and expenses (income):						
Cost of rentals	----	310,904	75,122	24,863	(39,704)	371,185
Cost of other services	----	243,769	85,554	7,866	(188,803)	148,386
Selling and administrative expenses	----	230,570	12,460	12,151	(2,053)	253,128
Interest income	----	(526)	(3)	(810)	----	(1,339)
Interest expense	----	11,915	(1,614)	1,283	----	11,584
	----	796,632	171,519	45,353	(230,560)	782,944
Income before income taxes	76,727	19,276	95,426	8,914	(77,889)	122,454
Income taxes	----	7,134	35,473	3,120	----	45,727
Net income	$ 76,727	$ 12,142	$ 59,953	$ 5,794	$ (77,889)	$ 76,727

CONDENSED CONSOLIDATING INCOME STATEMENT
THREE MONTHS ENDED FEBRUARY 28, 2006
(RESTATED)*

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Revenue:						
Rentals	$ ----	$ 462,276	$ 129,045	$ 40,139	$ (138)	$ 631,322
Other services	----	271,594	108,688	12,976	(188,159)	205,099
Equity in net income of affiliates	76,594	----	----	----	(76,594)	----
	76,594	733,870	237,733	53,115	(264,891)	836,421
Costs and expenses (income):						
Cost of rentals	----	291,750	76,548	24,038	(41,681)	350,655
Cost of other services	----	200,937	73,736	8,712	(150,589)	132,796
Selling and administrative expenses	----	209,097	2,711	11,998	614	224,420
Interest income	----	(1,398)	(60)	(467)	----	(1,925)
Interest expense	----	7,155	(1,007)	1,091	----	7,239
	----	707,541	151,928	45,372	(191,656)	713,185
Income before income taxes	76,594	26,329	85,805	7,743	(73,235)	123,236
Income taxes	----	10,256	33,415	2,971	----	46,642
Net income	$ 76,594	$ 16,073	$ 52,390	$ 4,772	$ (73,235)	$ 76,594

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

CONDENSED CONSOLIDATING INCOME STATEMENT
NINE MONTHS ENDED FEBRUARY 28, 2007

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Revenue:						
Rentals	$ ----	$ 1,497,418	$ 413,096	$ 127,771	$ (489)	$ 2,037,796
Other services	----	989,396	392,224	41,978	(718,569)	705,029
Equity in net income of affiliates	244,216	----	----	----	(244,216)	----
	244,216	2,486,814	805,320	169,749	(963,274)	2,742,825
Costs and expenses (income):						
Cost of rentals	----	943,530	236,004	75,556	(125,590)	1,129,500
Cost of other services	----	753,131	255,545	25,583	(588,315)	445,944
Selling and administrative expenses	----	683,734	32,139	35,630	(5,619)	745,884
Interest income	----	(2,220)	(8)	(2,260)	----	(4,488)
Interest expense	----	36,893	(4,448)	4,054	----	36,499
	----	2,415,068	519,232	138,563	(719,524)	2,353,339
Income before income taxes	244,216	71,746	286,088	31,186	(243,750)	389,486
Income taxes	----	26,993	107,634	10,643	----	145,270
Net income	$ 244,216	$ 44,753	$ 178,454	$ 20,543	$ (243,750)	$ 244,216

CONDENSED CONSOLIDATING INCOME STATEMENT
NINE MONTHS ENDED FEBRUARY 28, 2006
(RESTATED)*

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Revenue:						
Rentals	$ ----	$ 1,387,723	$ 388,746	$ 114,842	$ (391)	$ 1,890,920
Other services	----	859,090	310,624	40,064	(605,017)	604,761
Equity in net income of affiliates	231,855	----	----	----	(231,855)	----
	231,855	2,246,813	699,370	154,906	(837,263)	2,495,681
Costs and expenses (income):						
Cost of rentals	----	870,459	228,966	67,876	(127,563)	1,039,738
Cost of other services	----	643,181	212,625	26,165	(484,947)	397,024
Selling and administrative expenses	----	633,979	1,713	34,184	138	670,014
Interest income	----	(3,631)	(257)	(1,071)	----	(4,959)
Interest expense	----	21,872	(3,000)	3,187	----	22,059
	----	2,165,860	440,047	130,341	(612,372)	2,123,876
Income before income taxes	231,855	80,953	259,323	24,565	(224,891)	371,805
Income taxes	----	31,158	99,810	8,982	----	139,950
Net income	$ 231,855	$ 49,795	$ 159,513	$ 15,583	$ (224,891)	$ 231,855

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF FEBRUARY 28, 2007

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ ----	$ 853	$ 7,374	$ 23,331	$ ----	$ 31,558
Marketable securities	----	57,246	----	68,689	----	125,935
Accounts receivable, net	----	260,400	131,289	20,492	(19,026)	393,155
Inventories, net	----	202,996	26,841	7,607	(10,361)	227,083
Uniforms and other rental items in service	----	270,161	81,359	19,193	(31,631)	339,082
Prepaid expenses	----	9,820	4,292	814	----	14,926
Total current assets	----	801,476	251,155	140,126	(61,018)	1,131,739
Property and equipment, at cost, net	----	609,764	241,050	49,958	----	900,772
Goodwill	----	336,584	869,502	20,090	----	1,226,176
Service contracts, net	----	103,781	64,406	4,655	----	172,842
Other assets, net	1,634,652	71,825	1,313,649	170,309	(3,114,475)	75,960
	$ 1,634,652	$ 1,923,430	$ 2,739,762	$ 385,138	$ (3,175,493)	$ 3,507,489
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	$ (465,247)	$ (405,697)	$ 909,673	$ 682	$ 30,129	$ 69,540
Accrued compensation and related liabilities	----	35,378	19,224	2,412	----	57,014
Accrued liabilities	61,994	190,775	(22,770)	4,886	(45)	234,840
Income taxes:						
Current	----	11,008	39,295	754	----	51,057
Deferred	----	----	38,335	1,171	----	39,506
Long-term debt due within one year	----	228,228	1,098	----	(187)	229,139
Total current liabilities	(403,253)	59,692	984,855	9,905	29,897	681,096
Long-term debt due after one year	----	659,937	(56,055)	84,529	(34,035)	654,376

Deferred income taxes	----	10,263	101,082	4,513	----	115,858
Total shareholders' equity	2,037,905	1,193,538	1,709,880	286,191	(3,171,355)	2,056,159
	$ 1,634,652	$ 1,923,430	$ 2,739,762	$ 385,138	$ (3,175,493)	$ 3,507,489

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MAY 31, 2006
(RESTATED)*

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ ----	$ 9,461	$ 8,674	$ 20,779	$ ----	$ 38,914
Marketable securities	----	154,711	----	47,828	----	202,539
Accounts receivable, net	----	256,602	124,143	21,378	(12,218)	389,905
Inventories, net	----	172,279	27,582	8,256	(10,117)	198,000
Uniforms and other rental items in service	----	272,197	77,636	19,996	(32,342)	337,487
Prepaid expenses	----	8,169	2,539	455	----	11,163
Total current assets	----	873,419	240,574	118,692	(54,677)	1,178,008
Property and equipment, at cost, net	----	604,813	208,684	50,286	----	863,783
Goodwill	----	292,969	822,165	21,041	----	1,136,175
Service contracts, net	----	112,016	61,324	6,625	----	179,965
Other assets, net	1,582,561	70,113	1,165,524	186,430	(2,937,322)	67,306
	$ 1,582,561	$ 1,953,330	$ 2,498,271	$ 383,074	$ (2,991,999)	$ 3,425,237
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	$ (465,247)	$ (205,605)	$ 716,714	$ (12,240)	$ 38,013	$ 71,635
Accrued compensation and related liabilities	----	34,796	12,651	2,687	----	50,134
Accrued liabilities	----	190,728	(7,518)	6,666	(949)	188,927
Income taxes:						

Current	----	4,081	37,355	2,258	----	43,694
Deferred	----	----	50,421	1,248	----	51,669
Long-term debt due within one year	----	3,549	911	----	(172)	4,288
Total current liabilities	(465,247)	27,549	810,534	619	36,892	410,347
Long-term debt due after one year	----	801,649	(61,312)	89,770	(35,653)	794,454
Deferred income taxes	----	10,263	115,187	4,794	----	130,244
Total shareholders' equity	2,047,808	1,113,869	1,633,862	287,891	(2,993,238)	2,090,192
	$ 1,582,561	$ 1,953,330	$ 2,498,271	$ 383,074	$ (2,991,999)	$ 3,425,237

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED FEBRUARY 28, 2007

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Cash flows from operating activities:						
Net income	$ 244,216	$ 44,753	$ 178,454	$ 20,543	$ (243,750)	$ 244,216
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation	----	61,491	33,621	4,924	----	100,036
Amortization of deferred charges	----	17,250	10,913	1,852	----	30,015
Stock-based compensation	2,746	----	----	----	----	2,746
Deferred income taxes	----	----	(18,707)	(355)	----	(19,062)
Changes in current assets and liabilities, net of acquisitions of businesses:						
Accounts receivable	----	(1,689)	(4,825)	617	6,808	911
Inventories	----	(30,706)	1,637	649	244	(28,176)
Uniforms and other rental items in service	----	2,036	(3,723)	803	(711)	(1,595)
Prepaid expenses	----	(1,571)	(1,746)	(359)	----	(3,676)
Accounts payable	----	(192,584)	185,476	12,922	(7,884)	(2,070)
Accrued compensation and related liabilities	----	582	6,573	(275)	----	6,880
Accrued liabilities	----	224	(14,859)	(1,780)	904	(15,511)
Tax benefit on exercise of stock options	(37)	----	----	----	----	(37)
Income taxes payable	----	6,927	1,977	(1,504)	----	7,400
Net cash provided by (used in) operating activities	246,925	(93,287)	374,791	38,037	(244,389)	322,077
Cash flows from investing activities:						
Capital expenditures	----	(62,138)	(61,576)	(4,922)	----	(128,636)
Proceeds from sale or redemption of marketable securities	----	99,475	----	3,396	----	102,871
Purchase of marketable securities	----	(629)	----	(24,272)	----	(24,901)

Acquisitions of businesses, net of cash acquired	----	(63,240)	(71,736)	(35)	----	(135,011)
Other	(52,054)	33,939	(248,223)	7,249	242,786	(16,303)
Net cash (used in) provided by investing activities	(52,054)	7,407	(381,535)	(18,584)	242,786	(201,980)
<u>Cash flows from financing activities</u>:						
Proceeds from issuance of debt	----	250,000	2,460	----	----	252,460
Repayment of debt	----	(167,033)	2,984	(5,241)	1,603	(167,687)
Stock options exercised	9,529	----	----	----	----	9,529
Tax benefit on exercise of stock options	37	----	----	----	----	37
Purchase of common stock	(198,949)	----	----	----	----	(198,949)
Other	(5,488)	(5,695)	----	(11,660)	----	(22,843)
Net cash (used in) provided by financing activities	(194,871)	77,272	5,444	(16,901)	1,603	(127,453)
Net (decrease) increase in cash and cash equivalents	----	(8,608)	(1,300)	2,552	----	(7,356)
Cash and cash equivalents at beginning of period	----	9,461	8,674	20,779	----	38,914
Cash and cash equivalents at end of period	$ ----	$ 853	$ 7,374	$ 23,331	$ ----	$ 31,558

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED FEBRUARY 28, 2006
(RESTATED)*

	Cintas Corporation	Corp. 2	Subsidiary Guarantors	Non-Guarantors	Eliminations	Cintas Corporation Consolidated
Cash flows from operating activities:						
Net income	$ 231,855	$ 49,795	$ 159,513	$ 15,583	$ (224,891)	$ 231,855
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation	----	57,851	31,449	4,714	----	94,014
Amortization of deferred charges	----	13,499	8,524	2,107	----	24,130
Stock-based compensation	4,507	----	----	----	----	4,507
Deferred income taxes	----	----	6,804	595	----	7,399
Changes in current assets and liabilities, net of acquisitions and businesses:						
Accounts receivable	----	7,307	(10,486)	(9,932)	(1,076)	(14,187)
Inventories	----	16,692	(5)	239	(4,942)	11,984
Uniforms and other rental items in service	----	(6,354)	(672)	(2,163)	(2,051)	(11,240)
Prepaid expenses	----	(639)	(154)	3	----	(790)
Accounts payable	----	(75,529)	68,200	(1,881)	----	(9,210)
Accrued compensation and related liabilities	----	(415)	803	123	----	511
Accrued liabilities	----	(15,207)	(18,103)	100	917	(32,293)
Tax benefit on exercise of stock options	(706)	----	----	----	----	(706)
Income taxes payable	----	10,564	(5,446)	(200)	29	4,947
Net cash provided by (used in) operating activities	235,656	57,564	240,427	9,288	(232,014)	310,921
Cash flows from investing activities:						
Capital expenditures	----	(43,263)	(49,794)	(9,023)	----	(102,080)
Proceeds from sale or redemption of marketable securities	----	65,075	----	9,745	----	74,820
Purchase of marketable securities	----	(310)	----	(11,036)	----	(11,346)
Acquisitions of businesses, net of cash acquired	----	(228,965)	(94,449)	(4,569)	----	(327,983)
Other	(128,765)	(16,820)	(94,054)	(8,290)	234,099	(13,830)
Net cash (used in) provided by investing	(128,765)	(224,283)	(238,297)	(23,173)	234,099	(380,419)

activities						
Cash flows from financing activities:						
Proceeds from issuance of debt	----	173,000	----	----	----	173,000
Repayment of debt	----	(6,578)	(6,625)	8,220	(2,085)	(7,068)
Stock options exercised	11,404	----	----	----	----	11,404
Tax benefit on exercise of stock options	706	----	----	----	----	706
Purchase of common stock	(114,170)	----	----	----	----	(114,170)
Other	(4,831)	218	----	15,086	----	10,473
Net cash (used in) provided by financing activities	(106,891)	166,640	(6,625)	23,306	(2,085)	74,345
Net (decrease) increase in cash and cash equivalents	----	(79)	(4,495)	9,421	----	4,847
Cash and cash equivalents at beginning of period	----	13,259	12,570	17,367	----	43,196
Cash and cash equivalents at end of period	$ ----	$ 13,180	$ 8,075	$ 26,788	$ ----	$ 48,043

* Restated to reflect the adoption of FAS 123(R) using the modified-retrospective method.

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 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 products and services are designed to enhance our customers' images and to provide additional safety and protection in the workplace.

Our business strategy is to increase our market share of the uniform rental and sales business in North America through the sale of new uniform programs and to provide our customers with all of the products and services we offer. We will also continue to identify additional product and service opportunities for our current and future customers. Our long-term goal is to provide a product or service to every business in North America.

To pursue this strategy, we focus on the development of a highly talented and diverse team of employees (whom we call partners) - a team that is properly trained and motivated to service our customers. We support our partners' service efforts by providing superior products with distinct competitive advantages, and we embrace technological advances.

Continuous cost containment and product and process innovation are considered hallmarks of our organization. In order to sustain these efforts, we employ a Six Sigma effort within Cintas. Six Sigma is an analytical process that assists companies in improving quality and customer satisfaction while reducing cycle time and operating costs. We are pleased with our progress in this endeavor and are optimistic about the improved efficiencies that this process has and will continue to yield to Cintas.

We continue to leverage our size and core competencies to become a more valued business service provider to our current and future customers. We will also continue to supplement our internal growth with strategic acquisitions and the cultivation of new businesses.

RESULTS OF OPERATIONS

Cintas classifies its businesses into two operating segments, Rentals and Other Services, based on the similar economic characteristics of the products and services within each segment. The Rentals operating segment reflects the rental and servicing of uniforms and other garments, mats, mops and shop towels. In addition to these rental items, we also provide our restroom and hygiene products and services within this segment. The Other Services operating segment consists of the direct sale of uniforms and related items, first aid, safety and fire protection products and services, document management services and branded promotional products. Both segments provide these products and services throughout the United States and Canada to businesses of all types - from small service and manufacturing companies to major corporations that employ thousands of people.

New Accounting Pronouncement

At February 28, 2007, Cintas had an equity compensation plan, which is more fully described in Note 6 entitled Stock-Based Compensation of “Notes to Consolidated Financial Statements.” Prior to June 1, 2006, Cintas accounted for this plan under the intrinsic value method proscribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Effective June 1, 2006, Cintas adopted the fair value recognition provisions of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-retrospective transition method. Under that transition method, all prior periods have been restated based on the amounts previously calculated in the pro forma footnote disclosures required by Statement 123. Statement 123(R) requires all share-based payments to employees, including stock options, to be recognized as an expense in the statement of income based on their fair values. Due to this restatement, Cintas' income before income taxes and net income decreased by $1.2 million for the three months ended February 28, 2006, and $3.4 million for the nine months ended February 28, 2006. This adoption lowered basic earnings per share for the third quarter of fiscal 2006 from $0.47 per share to $0.46 per share for the quarter. Likewise, diluted earnings per share for the third quarter of fiscal 2006 were lowered from $0.46 per share to $0.45 for the quarter. This adoption also lowered basic earnings per share year-to-date from $1.40 per share to $1.38 per share. In addition, diluted earnings per share year-to-date were lowered from $1.39 per share to $1.37 per share. The cumulative effect of the change on total shareholders' equity as of May 31, 2006, was less than $1,000.

As a result of adopting Statement 123(R) on June 1, 2006, Cintas' income before income taxes and net income for the nine months ended February 28, 2007, are $2.7 million and $1.7 million lower than if Cintas had continued to account for share-based compensation under Opinion 25. Basic earnings per share are $.02 lower and diluted earnings per share are $.01 lower for the nine months ended February 28, 2007, than if Cintas had continued to account for share-based compensation under Opinion 25.

Three Months Ended February 2007 Compared to Three Months Ended February 2006

<u>Revenue, Expenses and Income</u>

Revenue Comparison

Total revenue increased 8.2% for the three months ended February 28, 2007, over the same period in fiscal 2006. Internal growth for this period was 4.5%. The remaining 3.7% represents growth derived mainly through the acquisitions of uniform and mat rental businesses in our Rentals segment and acquisitions of first aid, safety and fire protection businesses and document management businesses within our Other Services segment.

Net Rentals revenue increased 5.4% for the three months ended February 28, 2007, over the same period in the prior fiscal year. Rentals operating segment internal growth for the third quarter of fiscal 2007 was 3.0% as compared to the three months ended February 28, 2006. The Net Rentals revenue internal growth is primarily due to the sale of new rental programs to customers, offset by lost business. The remaining growth was generated primarily through the acquisition of uniform and mat rental businesses.

Other Services revenue increased 16.9% for the three months ended February 28, 2007, over the same period in the prior year. Other Services operating segment internal growth for the third quarter of fiscal 2007 was 9.3% as compared to the three months ended February 28, 2006. This internal growth was generated primarily through the increased direct sale of uniforms to national customers and increased sales of first aid and safety products and services and document management services to customers. The additional growth was generated through a combination of acquisitions of first aid, safety and fire protection businesses and document management businesses.

Expense Comparison

Cost of rentals 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 rentals increased 5.9% for the three months ended February 28, 2007, as compared to the three months ended February 28, 2006. This increase reflects a rise in material costs of $8.6 million due to increased Rentals revenue and an increase in delivery labor of $8.7 million due to increased Rentals revenue and the introduction of our restroom cleaning service. These increases were offset by an 8.2% decrease in Rentals energy costs from approximately $28 million in the three months ended February 28, 2006, to approximately $26 million in the three months ended February 28, 2007.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses. Cost of other services increased 11.7% for the three months ended February 28, 2007, as compared to the three months ended February 28, 2006. This increase was mainly due to increased sales in this segment. Gross margin within this segment may fluctuate depending on the type of product or service sold, as more cost efficient sourcing is employed and as products which require additional services or specialization generate higher gross margins. For example, tailored garments that incorporate high levels of design and customization tend to generate higher gross margins than work wear and standard catalog items. The current quarter's gross margin is 38.1%, which is slightly higher than the expected range of 32% to 37% for this segment. However, the gross margin for the nine months ended February 28, 2007, continues to be within the expected range.

Selling and administrative expenses increased 12.8% for the three months ended February 28, 2007, as compared to the three months ended February 28, 2006. In order to accelerate revenue growth, we continue to increase our sales force, marketing plans and sales promotions. We have also reorganized our sales efforts this fiscal year to become more efficient and productive. These measures combined to increase our selling costs by $10.7 million over the prior year. The cost of providing medical and retirement benefits to our employees increased $7.4 million, representing a 21.4% increase over the prior year. In addition, administrative expenses increased by $2.1 million as a result of an increase in professional services relating to legal and the outsourcing of certain human resource functions. Administrative expenses also increased by $1.9 million due to the amortization of intangibles obtained with new acquisitions.

Net interest expense (interest expense less interest income) was $10.2 million for the three months ended February 28, 2007, compared to $5.3 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 stock buyback program.

Cintas' effective tax rate is 37.3% for the three months ended February 28, 2007, which is consistent with the first half of fiscal 2007. This effective tax rate is lower than the effective tax rate of 37.8% for the three months ended February 28, 2006, as a result of changes in state tax rates.

Income Comparison

Net income increased 0.2% for the three months ended February 28, 2007, over the same period in fiscal 2006, primarily due to revenue growth. Diluted earnings per share increased 6.7% for the three months ended February 28, 2007, over the same period in the prior fiscal year. This increase is greater than the net income increase of 0.2% due to the impact of the stock buyback program.

Nine Months Ended February 2007 Compared to Nine Months Ended February 2006

Revenue, Expenses and Income

Revenue Comparison

Total revenue increased 9.9% for the nine months ended February 28, 2007, over the same period in fiscal 2006. Internal growth for this period was 5.6%. The remaining 4.3% represents growth derived mainly through the acquisitions of uniform and mat rental businesses in our Rentals segment and acquisitions of first aid, safety and fire protection businesses and document management businesses within our Other Services segment.

Net Rentals revenue increased 7.8% for the nine months ended February 28, 2007, over the same period in the prior fiscal year. Rentals operating segment internal growth through the third quarter of fiscal 2007 was 4.8% as compared to the nine months ended February 28, 2006. The net Rentals revenue growth is primarily due to the sale of new rental programs to customers, offset by lost business. The remaining growth was generated primarily through the acquisition of uniform and mat rental businesses.

Other Services revenue increased 16.6% for the nine months ended February 28, 2007, over the same period in the prior year. Other Services operating segment internal growth through the third quarter of fiscal 2007 was 8.2% as compared to the nine months ended February 28, 2006. This internal growth was generated primarily through the increased direct sale of uniforms to national customers and increased sales of first aid and safety products and services and document management services to customers. The additional growth was generated through a combination of acquisitions of first aid, safety and fire protection businesses and document management businesses.

Expense Comparison

Cost of rentals 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 rentals increased 8.6% for the nine months ended February 28, 2007, as compared to the nine months ended February 28, 2006, reflecting the growth in Rentals revenue. In addition, we incurred $3.7 million in impairment and other related charges due to the closing of a Detroit, Michigan Rental processing plant. Partially offsetting these increased costs was an insurance recovery of $1.9 million representing receipt of the final settlement of our claims related to the hurricanes which occurred in fiscal 2006. As a result of these items, cost of rentals increased as a percent of Rentals revenue to 55.4% for the nine months ended February 28, 2007, as compared to 55.0% for the nine months ended February 28, 2006.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses. Cost of other services increased 12.3% for the nine months ended February 28, 2007, as compared to the nine months ended February 28, 2006. This increase was mainly due to increased sales in this segment. Gross margin within this segment may fluctuate depending on the type of product or service sold, as more cost efficient sourcing is employed and as products which require additional services or specialization generate higher gross margins. For example, tailored garments that incorporate high levels of design and customization tend to generate higher gross margins than work wear and standard catalog items. The gross margin for the nine months ended February 28, 2007, is 36.7%, which is in line with the expected range of 32% to 37% for this segment.

Selling and administrative expenses increased 11.3% for the nine months ended February 28, 2007, as compared to the nine months ended February 28, 2006. Selling and administrative expenses as a percent of revenue increased 0.4% for the nine months ended February 28, 2007, as compared to the nine months ended February 28, 2006. In order to accelerate revenue growth, we continue to increase our sales force, marketing plans and sales promotions. We have also reorganized our sales efforts this fiscal year to become more efficient and productive. These measures combined to increase our selling costs by $20.8 million over the prior year. The cost of providing medical and retirement benefits to our employees increased $22.2 million, representing a 21.9% increase over the prior year. In addition, administrative expenses increased by $6.4 million as a result of an increase in professional services relating to legal and the outsourcing of certain human resource functions. Administrative expenses also increased by $5.9 million due to the amortization of intangibles obtained with new acquisitions.

Net interest expense (interest expense less interest income) was $32.0 million for the nine months ended February 28, 2007, compared to $17.1 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 stock buyback program.

Cintas' effective tax rate is 37.3% for the nine months ended February 28, 2007. This effective tax rate is lower than the effective tax rate of 37.6% for the nine months ended February 28, 2006, as a result of changes in state tax rates.

Income Comparison

Net income increased 5.3% for the nine months ended February 28, 2007, over the same period in fiscal 2006, primarily due to revenue growth. Diluted earnings per share increased 10.9% for the nine months ended February 28, 2007, over the same period in the prior fiscal year. This increase is greater than the net income increase of 5.3% due to the impact of the stock buyback program.

Financial Condition

At February 28, 2007, there was $157 million in cash, cash equivalents and marketable securities, a decrease of $84 million from May 31, 2006. This decrease was primarily due to pre-funding of employee medical costs and the purchasing of our company stock, as discussed below. Capital expenditures were approximately $129 million for the nine months ended February 28, 2007. We expect capital expenditures for the year to be between $160 and $170 million. Cash, cash equivalents and marketable securities are expected to be used to finance future acquisitions, capital expenditures, expansion and additional purchases under the stock buyback program as detailed below. We believe that our current cash position, funds generated from operations and the strength of our banking relationships provides sufficient means to meet our anticipated operational and capital requirements.

Net property and equipment increased by $37 million from May 31, 2006 to February 28, 2007, due to our continued investment in rental facilities and equipment. At the end of the third quarter of fiscal 2007, Cintas had three uniform rental facilities under construction.

In May, 2005, the Board of Directors authorized and announced a $500 million stock buyback program. This program was essentially completed during the first quarter of fiscal 2007. The Board of Directors approved an expansion of this share buyback program in July, 2006 by an additional $500 million. For the three months ended February 28, 2007, Cintas purchased approximately 1.4 million shares of Cintas stock at an average price of $40.68 per share for a total purchase price of approximately $57 million. From the inception of the stock buyback program through February 28, 2007, Cintas has purchased a total of approximately 14.2 million shares of Cintas stock, or approximately 8% of the total shares outstanding at the beginning of the program, at an average price of $40.89 per share for a total purchase price of approximately $580 million.

Following is information regarding Cintas' long-term contractual obligations and other commitments outstanding as of February 28, 2007:

(In thousands)		Payments Due by Period			
Long-term contractual obligations	Total	One year or less	Two to three years	Four to five years	After five years
Long-term debt (1)	$ 881,634	$ 228,526	$ 171,410	$ 1,240	$ 480,458
Capital lease obligations (2)	1,881	613	788	240	240
Operating leases (3)	53,606	16,085	21,536	10,185	5,800
Interest payments (4)	539,985	41,780	58,755	58,528	380,922
Interest swap agreements (5)	----	----	----	----	----
Unconditional purchase obligations	----	----	----	----	----
Total contractual cash obligations	$ 1,477,106	$ 287,004	$ 252,489	$ 70,193	$ 867,420

Cintas also makes payments to defined contribution plans. The amounts of contributions made to the plans are made at the discretion of Cintas. Future contributions are assumed to increase 15% annually. Assuming this 15% increase, payments due in one year or less would be $31,791, two to three years would be $78,602 and four to five years would be $103,951. Payments for years thereafter are assumed to continue increasing by 15% each year.

(1) Long-term debt primarily consists of $700,000 in long-term notes, including $225,000 of long-term debt due within one year.

(2) Capital lease obligations are classified as debt on the balance sheet.

(3) Operating leases consist primarily of building leases and a synthetic lease on a corporate jet.

(4)

Interest payments include interest on both fixed and variable rate debt. Rates have been assumed to remain constant for the remainder of fiscal 2007, increase 25 basis points in fiscal 2008, an additional 25 basis points in fiscal 2009 and then remain constant in future years.

(5) Reference Note 5 entitled Debt, Derivatives and Hedging Activities of "Notes to Consolidated Condensed Financial Statements" for a detailed discussion of interest swap agreements.

(In thousands)	Amount of Commitment Expiration Per Period				
Other commercial commitments	Total	One year or less	Two to three years	Four to five years	After five years
Lines of credit (1)	$ 400,000	$ ----	$ ----	$ 400,000	$ ----
Standby letter of credit (2)	75,448	75,432	16	----	----
Guarantees	----	----	----	----	----
Standby repurchase obligations	----	----	----	----	----
Other commercial commitments	----	----	----	----	----
Total commercial commitments	$ 475,448	$ 75,432	$ 16	$ 400,000	$ ----

(1) Back-up facility for the commercial paper program.
(2) Support certain outstanding 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 jet. 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, revenues 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 consolidated 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.

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 ordered a majority of the opt-in plaintiffs to arbitrate their claims in accordance with the terms of their Cintas employment agreement. On February 14, 2006, the court also 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*, filed on May 10, 2004, and pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Serrano*"). *Serrano* alleges that Cintas discriminated against women in hiring into various SSR positions across all divisions of Cintas throughout the United States. 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, *Nelly Blanca Avalos, et al. v. Cintas Corporation*, currently pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Avalos*"). *Avalos* alleges that Cintas discriminated against women, African-Americans and Hispanics in hiring into various SSR positions in Cintas' Rental division only throughout the United States. On April 27, 2005, the EEOC intervened in the claims asserted in *Avalos*. 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*, filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division ("*Ramirez*"). On May 11, 2006, however, those claims were severed from *Ramirez* and transferred to the Eastern District of Michigan, Southern Division, where the case was re-named *Avalos*. On July 10, 2006, *Avalos* and *Serrano* were consolidated for all pretrial purposes, including proceedings on class certification. The consolidated case is known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation*, and remains pending in the United States District Court, Eastern District of Michigan, Southern Division ("*Serrano/Avalos*"). No filings or 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-SSR 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* 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 SSR 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. In addition, a class action lawsuit, *Larry Houston, et al. v. Cintas Corporation,* 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 ("*Houston*"). 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. If there is an adverse verdict or a negotiated settlement of all or any of these actions, the resulting liability and/or any increased costs of operations on an ongoing basis could be material to Cintas. Any estimated liability relating to these proceedings is not determinable at this time.

Several other similar administrative proceedings are pending including two charges filed on November 30, 2004, by an EEOC Commissioner with the EEOC Systemic Litigation Unit alleging: (i) failure to hire and assign females to production job positions; and (ii) failure to hire females, African-Americans and Hispanics into the Management Trainee program. The investigations of these allegations are pending and no determinations have been made. On August 29, 2006, the EEOC Indianapolis District Office issued a dismissal and notice of rights and closed its file on the Clifton Cooper charge served on Cintas on March 23, 2005, by Cooper on behalf of himself and a similarly situated class with the EEOC Systemic Litigation Unit alleging discriminatory pay and treatment due to race. Mr. Cooper's claims are now part of the *Houston* arbitration matter disclosed hereinabove.

Cintas is also a defendant in a lawsuit, *J. Lester Alexander, III vs. Cintas Corporation, et al*., which was originally filed on October 25, 2004, and is currently pending in the Circuit Court of Randolph County, Alabama. The case was brought by J. Lester Alexander, III, the Chapter 7 Trustee (the "Trustee") of Terry Manufacturing Company, Inc. ("TMC") and Terry Uniform Company, LLC ("TUC"), against Cintas in Randolph County, Alabama. The Trustee seeks damages against Cintas for allegedly breaching fiduciary duties to TMC and TUC and for allegedly aiding and abetting breaches of fiduciary duties by others to those entities. The complaint also includes allegations that Cintas breached certain limited liability company agreements, or alternatively, misrepresented its intention to perform its obligations in those agreements and acted as alter egos of the bankrupt TMC and is therefore liable for all of TMC's debts. The Trustee is seeking $50 million in compensatory damages and $100 million in punitive damages. Cintas denies these claims and is vigorously defending itself against all claims in the complaint. Cintas filed counterclaims against J. Lester Alexander, III and cross claims against Roy Terry, Rudolph Terry and Cotina Terry (collectively referred to herein as the Individual Co-Defendants). The Individual Co-Defendants have filed cross claims against Cintas alleging fraudulent inducement, breach of fiduciary duty, negligence and wantonness. If there is an adverse verdict on the merits or in the event of a negotiated settlement of this lawsuit, the resulting liability could be material to Cintas. Any estimated liability relating to this lawsuit is not determinable at this time.

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

Outlook

As we look forward to the remainder of fiscal 2007, our outlook remains positive, but guarded. In an effort to further increase our revenue, we have reorganized our sales efforts to become more efficient and productive. In the short term, this change has caused disruption due to the promotion of many high-performing sales reps into management jobs, the time to train them in their new roles and the time necessary to develop their newly hired replacements. We anticipate the full benefit of this new organization will be felt as these new sales representatives become fully productive. We will also continue searching out additional products and services to become an even more valuable resource for our customers. As such, we see upside potential for all of our business units. Although difficult to predict, we anticipate continued growth in all of our business units.

In the marketplace, competition and related pricing pressure will continue; however, we believe cost containment initiatives, technological advances and continued leverage of our infrastructure will soften or offset any impact.

When appropriate opportunities arise, we will supplement our internal growth with strategic acquisitions.

Like most other companies, we experienced, and anticipate continuing to experience, increased costs for wages and benefits, including medical benefits. Changes in energy costs and changes in federal and state tax laws also impact our results.

For the remainder of fiscal year 2007, we expect our effective tax rate to be consistent with that of the nine months ended February 28, 2007.

We will continue to evaluate the opportunities for executing the stock buyback program that was approved by the Board of Directors in May, 2005 and expanded in the first quarter of fiscal 2007.

Cintas continues to be the target of a corporate unionization campaign by Unite Here and the Teamsters unions. These unions are attempting to pressure Cintas into surrendering our employees' rights to a government-supervised election and unilaterally accept union representation. Cintas' philosophy in regard to unions is straightforward: We believe that employees have the right to say yes to union representation and the freedom to say no. This campaign could be materially disruptive to our business and could materially adversely affect results of operations. We will continue to vigorously oppose this campaign and to defend our employees' rights.

We believe that the high level of customer service provided by our partners and supported by our infrastructure, quality products, financial resources and corporate culture will provide for continued business success. However, a number of factors influence future revenue, margins and profit which make forecasting difficult.

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 28 of our most recent Form 10-K.

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 does not currently use forward exchange contracts to limit potential losses in earnings or cash flows from foreign currency exchange rate movements.

ITEM 4.
CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

With the participation of Cintas' management, including Cintas' Chief Executive Officer and President, 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 February 28, 2007. Based on such evaluation, Cintas' management, including Cintas' Chief Executive Officer and President, Chief Financial Officer, General Counsel and Controllers, have concluded that Cintas' disclosure controls and procedures were effective as of February 28, 2007, 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 February 28, 2007, 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 29 and 30 of our most recent Form 10-K.

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," "projects," "plans," "expects," "intends," "believes," "seeks," "could," "should," "may" and "will" or the negative versions thereof and similar 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. These statements are subject to various risks, uncertainties 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, 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, 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, higher assumed sourcing or distribution costs of products, the disruption of operations from catastrophic events, changes in federal and state tax laws and the reactions of competitors in terms of price and service. Cintas undertakes no obligation to update any forward-looking statements to reflect events or circumstances arising after the date on which they are made.

Also note that we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses in Part II, Item 1A, of this Quarterly Report and in our Annual Report on Form 10-K for the year ended May 31, 2006. 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. Consequently, you should not consider the risk factors identified in Part II, Item 1A, in this Quarterly Report and in our Form 10-K for the year ended May 31, 2006, to be a complete discussion of all potential risks or uncertainties.

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 8 to our financial statements, which is captioned “Litigation and Other Contingencies,” 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. We provide the following additional information concerning those legal proceedings which sets forth the name of the lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed.

Wage and Hour Litigation: *Paul Veliz, et al. v. Cintas Corporation*, United States District Court, Northern District of California, Oakland Division, March 19, 2003. 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. 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.

Race and Gender Litigation and Related Charges: *Robert Ramirez, et al. v. Cintas Corporation*, United States District Court, Northern District of California, San Francisco Division, January 20, 2004; On April 27, 2005, the EEOC intervened in some of the claims in *Ramirez*; *Mirna E. Serrano, et al. v. Cintas Corporation*, United States District Court for the Eastern District of Michigan, Southern Division, May 10, 2004; On November 15, 2005, the EEOC intervened in *Serrano*; On May 11, 2006, the *Ramirez* African-American, Hispanic and female failure to hire into service sales representative position claims and the EEOC’s intervention were transferred to the Eastern District of Michigan, Southern Division; The remaining claims in *Ramirez* were dismissed or compelled to arbitration; On July 10, 2006, the claims that were transferred from *Ramirez* to the Eastern District of Michigan, Southern Division were consolidated with the *Serrano* case for pretrial purposes and the case was renamed *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation; Larry Houston, et al. v. Cintas Corporation*, United States District Court for the Northern District of California, August 3, 2005; On November 22, 2005, the named plaintiffs in *Houston* were ordered to arbitration and EEOC charges filed by an EEOC Commissioner on November 30, 2004, with the EEOC Systemic Litigation Unit. On August 29, 2006, the EEOC issued a dismissal and notice of rights and closed its file on the previously disclosed class action charge filed by Clifton Cooper on March 23, 2005, with the EEOC Systemic Litigation Unit.

Breach of Fiduciary Duties: *J. Lester Alexander, III vs. Cintas Corporation, et al.,* Randolph County, Alabama Circuit Court, October 25, 2004.

Item 1A. Risk Factors

The risks described in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended May 31, 2006, describe risks that could materially and adversely affect our business, financial condition and results of operations and the trading price of our debt or equity securities could decline. These risks are not the only risks that we face. Our business, financial condition and results of operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) On May 2, 2005, Cintas announced that the Board of Directors authorized a $500 million stock 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 million. The Board did not specify an expiration date for this program.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of the publicly announced plan	Maximum approximate dollar value of shares that may yet be purchased under the plan
December 2006	250,000	$40.10	13,046,485	$466,402,264
January 2007	850,838	$40.58	13,897,323	$431,875,381
February 2007	300,000	$41.46	14,197,323	$419,438,500
Total	1,400,838	$40.68	14,197,323	$419,438,500

For the three months ended February 28, 2007, Cintas purchased 1,400,838 shares of Cintas stock at an average price of $40.68 per share for a total purchase price of approximately $57 million. From the inception of the stock buyback program through February 28, 2007, Cintas has purchased a total of approximately 14.2 million shares of Cintas stock at an average price of $40.89 per share for a total purchase price of approximately $580 million. The maximum approximate dollar value of shares that may yet be purchased under the plan as of February 28, 2007, is $419,438,500.

During the third quarter of fiscal 2007, Cintas also acquired 30,870 shares as payment received from employees upon the exercise of options under the stock option plan.

Item 5. Other Information

On January 16, 2007, Cintas declared an annual cash dividend of $.39 per share on outstanding common stock, an 11.4 percent increase over the dividends paid in the prior year. The dividend was paid on March 13, 2007, to shareholders of record as of February 6, 2007.

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: April 5, 2007

By: /s/ William C. Gale
William C. Gale
Senior Vice President and Chief Financial Officer
(Chief Accounting Officer)