

G&K SERVICES INC
Form DEF 14A
October 04, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
SCHEDULE 14A INFORMATION
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

G&K SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(3) Filing Party:

(4) Date Filed:

G&K SERVICES, INC.

5995 Opus Parkway
Minnetonka, Minnesota 55343

Notice of Annual Meeting of Shareholders, Thursday, November 4, 2010

To the Shareholders of G&K Services, Inc.:

The Annual Meeting of Shareholders of G&K Services, Inc. will be held, pursuant to due call by our Board of Directors, at our corporate headquarters, 5995 Opus Parkway, Minnetonka, Minnesota 55343, on Thursday, November 4, 2010 at 10:00 a.m. Central Daylight Time, or at any adjournment or postponement thereof, for the purpose of considering and taking appropriate action with respect to the following:

1. to elect the three Class III directors named in the attached proxy statement to serve for terms of three years;
2. to approve our Restated Equity Incentive Plan (2010);
3. to ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for fiscal 2011; and
4. to transact any other business as may properly come before the meeting or any adjournment or postponement thereof.

Pursuant to action of our Board of Directors, shareholders of record on September 7, 2010 will be entitled to vote at the meeting or any adjournment or postponement thereof.

A proxy for the meeting is enclosed. You are requested to complete and sign the proxy, which is solicited by our Board of Directors, and promptly return it in the enclosed envelope.

By Order of the Board of Directors
G&K Services, Inc.

Jeffrey L. Cotter
Vice President, General Counsel and Corporate Secretary

October 4, 2010

Proxy Statement of G&K Services, Inc.

Annual Meeting of Shareholders to be Held Thursday, November 4, 2010

Voting by Proxy and Revocation of Proxies

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of G&K Services, Inc. to be used at the annual meeting of our shareholders to be held on Thursday, November 4, 2010, at 10:00 a.m. Central Daylight Time, at our corporate headquarters, 5995 Opus Parkway, Minnetonka, Minnesota 55343, or at any adjournment or postponement thereof, for the purpose of considering and taking appropriate action with respect to the following:

1. to elect the three Class III directors named in this proxy statement to serve for terms of three years;
2. to approve our Restated Equity Incentive Plan (2010);
3. to ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for fiscal 2011; and
4. to transact any other business as may properly come before the meeting or any adjournment or postponement thereof.

The approximate date on which this proxy statement and the accompanying proxy were first sent or given to shareholders was October 4, 2010.

Each shareholder who signs and returns a proxy in the form enclosed with this proxy statement may revoke the same at any time prior to its use and prior to the annual meeting by giving notice of such revocation to the company in writing, at the meeting or by executing and delivering a new proxy to our Corporate Secretary. Unless so revoked, the shares represented by each proxy will be voted at the annual meeting and at any adjournment or postponement thereof. Mere presence at the annual meeting by a shareholder who has signed a proxy does not, alone, revoke that proxy; revocation must be announced by the shareholder at the time of the meeting. All shares which are entitled to vote and are represented at the annual meeting by properly executed proxies received prior to or at the annual meeting, and not revoked, will be voted at the annual meeting and any adjournment or postponement thereof.

Voting Procedures

The company has one class of voting securities outstanding: Class A Common Stock, \$0.50 par value per share, of which 18,570,880 shares were outstanding as of the close of business on September 7, 2010, the record date for the annual meeting. Each share of Class A Common Stock is entitled to one vote on each matter put to a vote of shareholders. Our Class A Common Stock is referred to in this proxy statement as common stock. Only shareholders of record at the close of business on the record date for the annual meeting will be entitled to vote at the annual meeting or any adjournment or postponement thereof. A quorum, consisting of the holders of a majority of the stock issued and outstanding and entitled to vote at the annual meeting, is required for the transaction of business at the annual meeting. Such quorum must be present, either in person or represented by proxy, for the transaction of business at the annual meeting, except as otherwise required by law, our Amended and Restated Articles of Incorporation or our Amended and Restated Bylaws.

All shares entitled to vote and represented by properly executed proxies received prior to the annual meeting, and not revoked, will be voted as instructed on those proxies. If no instructions are indicated, the shares will be voted as recommended by our Board of Directors. If any director nominee should withdraw or otherwise become unavailable for reasons not presently known, the proxies which would have otherwise been voted for that director nominee may be voted for a substitute director nominee selected by our Board of Directors.

A plurality of votes cast is required for the election of each director in Proposal No. 1. Each other proposal requires the affirmative vote of the holders of the greater of (i) a majority of the voting power of shares present and entitled to vote on that item of business, or (ii) a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the annual meeting.

A shareholder who abstains with respect to any proposal is considered to be present and entitled to vote on that proposal, and is effectively casting a negative vote. A shareholder, including a broker, who does not give authority to a proxy to vote, or withholds authority to vote, on any proposal shall not be considered present and entitled to vote on that proposal.

The Board of Directors unanimously recommends that you vote FOR the election of each director nominee named in this proxy statement, FOR the approval of our Restated Equity Incentive Plan (2010) and FOR the ratification of Ernst & Young LLP's appointment as our independent accountant for fiscal 2011.

PROPOSAL NUMBER 1:

Election of Class III Directors

Pursuant to our Amended and Restated Articles of Incorporation, our Board of Directors is comprised of not less than three and not more than 12 directors, and our Amended and Restated Bylaws state that the number of directors is established by resolution of our Board of Directors. Presently, our Board of Directors consists of nine directors. Pursuant to our Amended and Restated Articles of Incorporation, our directors are divided into three classes, designated as Class I, Class II and Class III, and are elected to serve for staggered three-year terms of office that expire in successive years. The current terms of office for the directors in Class I, Class II and Class III expire, respectively, at the 2011, 2012 and 2010 annual shareholders meetings.

Messrs. Bronson, Fortun and Mrozek, each of whom currently serves as a Class III director, have been nominated by our Board of Directors to serve as our Class III directors for a three-year term commencing immediately following the annual meeting and expiring at our 2013 annual shareholders meeting, or until his successor is elected and qualified. If elected, each nominee has consented to serve as a Class III director.

Set forth below is information regarding the three individuals nominated for election to our Board of Directors as Class III directors, which includes information furnished by them as to their principal occupations for the last five years, certain other directorships held by them, and their ages as of the date of this proxy statement.

Name (and age) of Director/Nominee	Principal Occupation, Past Five Years Business Experience and Directorships in Public Companies	Director Since
Class III Nominees: John S. Bronson (62)	<p>Mr. Bronson is a director of the company and serves as a member of the Compensation and Corporate Governance Committees of our Board of Directors. Mr. Bronson was Senior Vice President, Human Resources for Williams-Sonoma, Inc., a specialty retailer of home furnishings, from 1999 to 2003. Prior to his employment with Williams-Sonoma, Inc., Mr. Bronson held several senior human resource-related management positions with PEPSICO, from 1979 to 1999, most recently as its Executive Vice President, Human Resources Worldwide for Pepsi-Cola Worldwide.</p> <p>Mr. Bronson's 24 years in human resource-related positions with Williams Sonoma and PEPSICO and its related entities provides him with substantial experience and knowledge with respect to the many complex issues surrounding human resources, benefits and compensation. Mr. Bronson offers us a unique perspective on leadership development, employee relations and compensation issues. Mr. Bronson also has extensive international business experience, and he understands the complexities of managing a route distribution system. Mr. Bronson has a deep understanding of the diverse and complex issues that must be addressed by a large public company.</p>	2004
Wayne M. Fortun (61)	Mr. Fortun is a director and serves as Chair of the Compensation Committee of our Board of Directors. In 1983, Mr. Fortun was elected	1994

director, President and Chief Operating Officer of Hutchinson Technology, Inc. (NASDAQ: HTCH), a world leader in precision manufacturing of suspension assemblies for disk drives, and was appointed its Chief Executive Officer in May 1996, a position he continues to hold today. Mr. Fortun also serves as a director of C.H. Robinson Worldwide, Inc. (NASDAQ: CHRW), a global provider of multimodal transportation services and logistics solutions, where he serves as the chair of the Compensation Committee and serves on the Governance Committee.

As the longest-serving member of our board, Mr. Fortun has abundant knowledge of our company and its business. Mr. Fortun's significant experience with Hutchinson Technology provides him with critical knowledge of the management, financial and operational requirements of a large company. Mr. Fortun also provides our board with insight into international business issues. In addition, as a result of his long tenure as a director of another large public company, Mr. Fortun is well possessed with a deep understanding of the roles and responsibilities of public company board members.

Ernest J. Mrozek (57)

Mr. Mrozek is a director and serves as a member of the Audit Committee of our Board of Directors. Mr. Mrozek is also one of our Audit Committee Financial Experts. Mr. Mrozek served as Vice Chairman and Chief Financial Officer of The ServiceMaster Company, a residential and commercial service company, from November 2006 until his retirement in March 2008. Mr. Mrozek also served as President and Chief Financial Officer of The ServiceMaster Company from January 2004 to November 2006 and as its President and Chief Operating Officer from 2002 to January 2004. He served as President and Chief Operating Officer of ServiceMaster Consumer Services, ServiceMaster's largest segment, from January 1997 until 2002. Mr. Mrozek joined ServiceMaster in 1987 and has held various senior positions in general management, operations and finance, in addition to those specifically noted above. Prior to joining ServiceMaster, Mr. Mrozek spent 12 years with Arthur Andersen & Co. Mr. Mrozek previously served on the board of Chemed Corporation (NYSE: CHE) until May 2010 and currently serves on the board of IDEX Corporation (NYSE: IEX), where he is a member of the Audit Committee.

2005

Mr. Mrozek's executive positions with The ServiceMaster Company and his other board service provide him with a keen understanding of the management, financial and operational requirements of a large public company, as well as an understanding of the roles and responsibilities of board members of such companies. Additionally, Mr. Mrozek is able to draw upon his public accounting experience and financial oversight positions as he evaluates our financial results and our financial reporting process in general. Mr. Mrozek also assists our board in its understanding of risk management and internal control over financial reporting.

Directors and Executive Officers of the Company

Set forth below is information regarding our executive officers and our directors, which includes information furnished by them as to their principal occupations for the last five years, certain other directorships held by them, and their ages as of the date of this proxy statement.

Name	Age	Title	Director Term Expires
Douglas A. Milroy	51	Chief Executive Officer and Director (Class II)	2012
Jeffrey L. Wright	48	Executive Vice President, Chief Financial Officer and Director (Class II)	2012
Robert G. Wood	62	President, G&K Services Canada Inc.	
Jeffrey L. Cotter	43	Vice President, General Counsel and Corporate Secretary	
Timothy N. Curran	49	Senior Vice President, U.S. Field	
John S. Bronson	62	Director (Class III)	2010
Lynn Crump-Caine	54	Director (Class I)	2011
J. Patrick Doyle	47	Director (Class I)	2011
Wayne M. Fortun	61	Director (Class III)	2010
Ernest J. Mrozek	57	Director (Class III)	2010
M. Lenny Pippin	63	Director, Chairman of the Board and Presiding Director (Class I)	2011
Alice M. Richter	57	Director (Class II)	2012

Douglas A. Milroy Mr. Milroy has served as our Chief Executive Officer and a director since May 2009. Mr. Milroy served as our President, Direct Purchase and Business Development from November 2006 to May 2009. Mr. Milroy joined us with more than 20 years of global leadership experience in business-to-business organizations. Most recently, since 2004, Mr. Milroy was managing director of The Milroy Group LLC, a firm focused on the acquisition and management of industrial companies in partnership with other investors. Prior to that, between 2000 and 2004, Mr. Milroy was the Vice President and General Manager Food and Beverage North America and Water Care for Ecolab, Inc. Mr. Milroy has also held senior positions with FMC Corporation and McKinsey & Company. Mr. Milroy serves on the board of JSJ Corporation, where he chairs the Compensation Committee and serves on the Audit Committee.

Mr. Milroy brings to our board his broad strategic vision for our company, and he is a trusted advisor. Mr. Milroy has in-depth knowledge of all aspects of our company and its business, together with a deep understanding and appreciation of our customers and their business operations. Mr. Milroy creates a critical link between management and the board, enabling the board to perform its oversight function with the benefit of management's perspective on the business. As Chief Executive Officer, Mr. Milroy is responsible for determining the company's strategy and for communicating that strategy throughout the organization. Mr. Milroy's prior business experience, including his international business experience, provides him with a valuable perspective on operational, strategic and management matters facing large companies and an intimate understanding of motivating employees to ensure effective execution of initiatives. Mr. Milroy also has extensive experience with merger and acquisition transactions, including integrating

companies to realize synergies and create efficiencies.

Jeffrey L. Wright Mr. Wright has served as our Executive Vice President and a director since May 2009 and as our Chief Financial Officer since 1999. Previously, Mr. Wright served as our Senior Vice President from January 2004 until May 2009, our Secretary from February 1999 until May 2004, and our Treasurer from February 1999 until November 2001. Mr. Wright was employed with BMC Industries, Inc. from 1996 until the time he joined the company, serving as its Controller from 1996 to 1998 and its Treasurer from 1998 to 1999. From 1993 to 1996, Mr. Wright was Treasurer for Employee Benefit Plans, Inc. From 1984 to 1993, Mr. Wright was employed with Arthur Andersen & Co. Mr. Wright serves as Chairman of the Textile Rental Services Association and is a director of Hawkins, Inc. (NASDAQ: HWKN), where he serves on the Compensation and Governance and Nominating Committees and chairs the Audit Committee.

Mr. Wright's experience provides him with deep institutional knowledge. Mr. Wright also has a comprehensive knowledge of the industrial laundry business, including as a result of his service as Chairman of our industry trade association. Mr. Wright is also able to provide our board with valuable insight with respect to the negotiation and implementation of mergers and acquisitions. Mr. Wright's financial and public accounting experience provide him with a breadth of knowledge related to financial oversight, internal control over financial reporting and the alignment of financial and strategic initiatives.

Robert G. Wood Mr. Wood has served as President of G&K Services Canada Inc. and affiliated entities since 1998, and as one of our Regional Vice Presidents between 1997 and 1998. Mr. Wood joined the company in 1995 as a General Manager and served as an Executive Vice President of the company from May 2000 until July 2002. Prior to joining the company, Mr. Wood was Vice President of Marketing and Director of Sales with Livingston International, Inc., where he spent 23 years in a variety of operating, sales, service and marketing positions.

Jeffrey L. Cotter Mr. Cotter has served as our Vice President and General Counsel since June 2008. Mr. Cotter joined the company as Senior Corporate Counsel in January 2006, and was named Director of Legal Services and Corporate Secretary in September 2007. Prior to joining the company, since 2003, Mr. Cotter was a shareholder in the law firm of Leonard, Street and Deinard Professional Association, where he specialized in securities law, as well as in mergers, acquisitions and related transactions. Prior to being a shareholder in Leonard, Street and Deinard,

Mr. Cotter was an associate at the firm (1997-1999; 2001-2003), as well as Assistant General Counsel of Stockwalk.com, Inc. (1999-2001) and an associate in the law firm of Briggs & Morgan, P.A. Mr. Cotter also serves on the Textile Rental Services Association's Government Affairs Committee.

Timothy N. Curran. Mr. Curran has served as our Senior Vice President, U.S. Field since October 2008. Mr. Curran joined the company as Regional Vice President of the Southeast Region in 2004. Prior to joining the company, Mr. Curran served as Vice President, Operations for a distribution division of WebMD from 2002 to 2004, and served as Division General Manager and Director of Business Development for OMNOVA Solutions, a performance chemical and decorative products company, from 2000 to 2002. Mr. Curran also held various operating and leadership positions with Honeywell International Inc. from 1993 to 2000.

John S. Bronson see information under Election of Class III Directors above.

Lynn Crump-Caine Ms. Crump-Caine is a director of the company and serves as a member of the Audit Committee of our Board of Directors. Ms. Crump-Caine founded Outsidein Consulting and she currently serves as its Chief Executive Officer. Between 1974 and her retirement in 2004, Ms. Crump-Caine served in various senior capacities with McDonald's Corporation, including as its Executive Vice President, Worldwide Operations and Restaurant Systems, from 2002 to 2004, its Executive Vice President, U.S. Restaurant Systems, from 2000 to 2002, and its Senior Vice President, U.S. Operations, from 1998 to 2000. Ms. Crump-Caine serves on the board of Krispy Kreme Doughnuts, Inc. (NYSE: KKD), where she chairs the Compensation Committee and serves on the Nominating and Corporate Governance Committees. She also chairs the board of Advocate Health Care and is a member of that board's Executive, Audit and Compensation Committees.

Ms. Crump-Caine's far-reaching operational experience, including in various senior positions with McDonald's Corporation, gives her a unique understanding of complex operating systems. Ms. Crump-Caine provides a valuable perspective to our board in a multitude of areas, including training, brand development and operations. Ms. Crump-Caine is likewise well positioned to understand the multifaceted governance matters facing large public companies today.

J. Patrick Doyle Mr. Doyle is a director and serves as a member of the Compensation Committee of our Board of Directors. Mr. Doyle currently serves as a director and as President and Chief Executive Officer of Domino's Pizza, Inc. (NYSE: DPZ), a position he has held since March 2010. Prior to being named Domino's President and Chief Executive Officer, Mr. Doyle served as President of Domino's U.S.A. from September 2007 to March 2010, as Domino's Executive Vice President of U.S. Corporate Stores from October 2004 to September 2007, as Domino's Executive Vice President of International from May 1999 to October 2004, as Domino's interim Executive Vice President, Build the Brand, from December 2000 to July 2001 and as Domino's Senior Vice President of Marketing from the time he joined Domino's in 1997 until May 1999. Prior to joining Domino's, Mr. Doyle served as Vice President and General Manager for the U.S. baby food business of Gerber Products Company.

Mr. Doyle's experience with Domino's Pizza, including, most recently, as its President and Chief Executive Officer and a director, enable him to understand the importance of achieving sales growth, building shareholder value and cultivating a business environment committed to quality, productivity and continuous improvement. Mr. Doyle also has experience managing complex route delivery systems. Our board has benefited from Mr. Doyle's extensive merger and acquisition experience, as well as his familiarity with international business issues. Finally, Mr. Doyle's wide-ranging experience in the food service industry provides our board with valuable insight into creating relevant marketing and growth strategies and building brand awareness.

Wayne M. Fortun see information under Election of Class III Directors above.

Ernest J. Mrozek see information under Election of Class III Directors above.

M. Lenny Pippin Mr. Pippin is a director, serves as the Chairman and Presiding Director of our Board of Directors and serves as Chair of the Corporate Governance Committee. Mr. Pippin served as Vice Chairman, President and Chief Executive Officer of The Schwan Food Company, a branded frozen-food company, from November 1999 until February 2008. Mr. Pippin is currently a business consultant. Prior to joining Schwan's, Mr. Pippin served as President and Chief Executive Officer of Lykes Brothers, Inc., a privately held corporation with operating divisions in the food, agriculture, transportation, energy and insurance industries.

Mr. Pippin's prior business experience with the The Schwan Food Company and Lykes Brothers provides him with a keen understanding of the many strategic and operational challenges facing companies such as ours, including the importance of managing a complex route delivery system. Mr. Pippin also has experience with building sales, improving brand awareness, ensuring leadership development and understanding issues facing international businesses. As Chairman of our board, Mr. Pippin possesses valuable leadership, analytical, strategic and risk assessment skills. Mr. Pippin is also well versed with corporate governance requirements facing boards of large public companies.

Alice M. Richter Ms. Richter is a director and serves as Chair of the Audit Committee of our Board of Directors. Ms. Richter is also one of our Audit Committee Financial Experts. Ms Richter has been retired since June 2001. Prior to her retirement, Ms. Richter was a certified public accountant with KPMG LLP for 26 years. Ms. Richter joined KPMG's Minneapolis office in 1975 and was admitted to the KPMG partnership in 1987. During her tenure at KPMG, Ms. Richter served as the National Industry Director of KPMG's U.S. Food and Beverage practice and also served as a member of the Board of Trustees of the KPMG Foundation from 1991 to 2001. Ms. Richter is a member of the Boards of Directors of West Marine, Inc. (NASDAQ: WMAR), where she serves as Chair of the Audit Committee, Bluestem Brands, Inc., where she serves as the Chair of the Audit Committee, and Thrivent Financial for Lutherans, where she serves on the Human Resources and Executive Compensation Committee and is Chair of the Technology Committee.

With more than 25 years of experience with an international Big 4 public accounting firm, Ms. Richter possesses vast understanding of accounting principles and financial reporting, evaluating financial results and the processes of financial reporting, risk management and internal control over financial reporting of both publicly and privately held companies. Ms. Richter also brings useful corporate governance and compliance insights from, among other things, her service on boards and other audit committees and her commitment to continuing education as it pertains to board service and Sarbanes-Oxley compliance issues.

Executive Compensation

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the material elements of our total compensation program for our Named Executive Officers (NEOs). Our NEOs include our Chief Executive Officer, our Executive Vice President and Chief Financial Officer, and the three most highly compensated executive officers, other than our Chief Executive Officer and our Executive Vice President and Chief Financial Officer, who were serving as our executive officers at the end of fiscal 2010. The discussion focuses on our compensation program and decisions, each as they relate to these individuals, for fiscal 2010. We address why we believe the program is right for our company and our shareholders, and we explain how compensation is determined.

Overview

What person or group is responsible for determining the compensation levels of executive officers?

The Compensation Committee of our Board of Directors, which consists entirely of independent directors and whose membership is determined by our board, is responsible for:

- approving the design and implementation of our executive compensation program;
- regularly reporting on committee actions and recommendations at board meetings;
- working with the Audit and Corporate Governance Committees of our Board of Directors, as appropriate; and
- reviewing NEO compensation and making recommendations to our board, which is responsible for approving all NEO compensation.

Hay Group serves as an independent compensation consultant to our Compensation Committee. The Compensation Committee also works with our human resources and compensation and benefits professionals on the design and implementation of executive compensation programs and certain retirement plans that are of material significance.

The Compensation Committee annually reviews NEO compensation. The Compensation Committee considers information provided by its internal compensation team and independent compensation consultant, and reviews and recommends compensation actions for NEOs for approval by our board.

Role of Compensation Consultant

Hay Group provides independent compensation consultation and advice to the Compensation Committee to help ensure that executive compensation decisions are aligned with the long-term interests of shareholders and with corporate goals and strategies. Although Hay Group primarily supports the Compensation Committee, on occasion, Hay Group provides market data and general compensation consultation to management. As requested by the Compensation Committee, Hay Group provides guidance as it relates to the following committee responsibilities:

reviews Compensation Committee agendas and supporting materials in advance of each meeting;

as requested, attends Compensation Committee meetings;

makes recommendations on companies to include in our peer group, analyzes the selected peer group information and reviews other survey data for competitive comparisons;

reviews our executive compensation programs and competitive positioning for reasonableness and appropriateness;

reviews our total executive compensation program and advises the Compensation Committee of plans or practices that might be changed to improve effectiveness;

oversees survey data on executive pay practices and amounts that come before the Compensation Committee;

provides market data and recommendations on Chief Executive Officer compensation without prior review by management, except for necessary fact checking;

provides market data and recommendations on director compensation;

reviews any significant executive employment or change-in-control provisions in advance of being presented to the Compensation Committee and/or the board for approval;

periodically reviews the Compensation Committee's charter and recommends changes;

advises the Compensation Committee on best-practice ideas for board governance as it pertains to executive compensation as well as areas of risk in our compensation program;

as requested, advises the Compensation Committee on management proposals; and

undertakes other projects at the request of the Compensation Committee.

In fiscal 2010, as part of its ongoing services to the Compensation Committee as described above, a Hay Group representative attended all regularly scheduled meetings of the Compensation Committee (either in person or telephonically) and worked on the following projects:

reviewed our peer group and made recommendations on changes thereto;

participated in review and design of our long-term incentive and equity programs;

reviewed Board of Director compensation (in fiscal 2010, no changes were made to our board's compensation package); and

conducted market analysis of Chief Executive Officer compensation and made recommendations on changes to Mr. Milroy's total compensation package.

Certain of our senior officers also have roles in the compensation process, as follows:

Mr. Milroy recommends compensation actions with respect to our NEOs, other than for himself, and submits those recommendations to the Compensation Committee for review;

Mr. Milroy provides his perspective on recommendations provided by the compensation consultant regarding compensation program design issues;

our Senior Vice President, Human Resources plays an active role by providing input on plan design, structure and cost, and assessing the implications of all recommendations on recruitment, retention and motivation of company employees, as well as company financial results; and

when requested by the Compensation Committee, other executive officers, such as the Executive Vice President and Chief Financial Officer, Vice President and Controller, and our Vice President, General Counsel and Corporate Secretary, may also review recommendations on plan design, structure and cost, and provide a perspective to the Compensation Committee on how these recommendations may affect recruitment, retention and motivation of our employees, as well as our financial results.

Discussion and Analysis

The following discussion and analysis is limited to our NEO compensation program, focuses on the program and decisions for fiscal 2010 and specifically answers the following questions:

1. What are the objectives of our compensation program?
2. What is our compensation program designed to reward?
3. What is each element of compensation?
4. Why do we choose to pay each element?
5. How do we determine the amount/formula for each element?
6. How does each element and our decision regarding that element fit into our overall compensation objectives and affect decisions regarding other elements?

What are the objectives of our compensation program?

Our compensation program's objectives are to provide compensation and benefits plans that enable us to attract, motivate and retain highly qualified, experienced executives and reward them for performance that creates long-term shareholder value. We seek to increase shareholder value by rewarding performance with cost-effective compensation that ensures appropriate linkage between pay, company performance and results for our shareholders. We strive to

reward employees fairly and competitively through a mix of base salary, short- and long-term incentives, benefits, career growth and development opportunities. We believe the mix of base pay, short-term incentives, long-term incentives and other benefits drives performance.

What is our compensation program designed to reward?

Our compensation program strives to effectively utilize elements of compensation under a total reward philosophy that combines annual and multi-year reward opportunities, which are designed to:

provide competitive levels of compensation that link compensation to the achievement of our annual objectives and long-term goals;

reward the achievement of company performance objectives; and

recognize and reward strong individual initiative and team performance.

Shareholder value and corporate performance are realized through our ongoing business strategy to:

achieve year-over-year growth in revenue and earnings;

drive strong cash flow;

maintain financial strength and flexibility; and

reward strong individual performance that is aligned with company goals and objectives.

What is each element of compensation?

There are five components of our executive compensation program:

base salary;

annual management incentive compensation (referred to as our MIP);

long-term equity-based compensation;

benefits and perquisites; and

severance and change-in-control benefits.

Base Salary

Base salary is fixed compensation designed to compensate NEOs for their level of experience and continued performance excellence in their individual roles. Providing executives with competitive base salaries allows us to attract high-caliber talent and retain executives on-going services by providing them with a level of financial certainty. Base salary is set in relation to the competitive market for the position and individual performance. We review executive base salary on an annual basis (generally comparing to the median of the competitive market for each position), and any increases are based on individual performance and prevailing market conditions.

For fiscal 2011, at Mr. Milroy's request, our Compensation Committee did not increase his base salary. In his request, Mr. Milroy noted continued sluggish economic conditions, and he highlighted that although most of our management employees did not receive a base salary increase following fiscal 2009, he did receive a salary adjustment by virtue of his promotion to Chief Executive Officer. Our board is pleased with Mr. Milroy's

performance and is confident that his strategic vision with respect to both short- and long-term goals will benefit the company as a whole. That being said, the Compensation Committee honored Mr. Milroy's request; thus, on an annualized basis, Mr. Milroy's base salary reported for our next fiscal year will be identical to his base salary reported in this proxy statement for fiscal 2010.

For NEOs (excluding Mr. Milroy), individual performance is assessed against business performance objectives and individual performance at mid-year and at fiscal year-end. Each NEO provides a self-evaluation during his performance review with Mr. Milroy. Twice annually, Mr. Milroy provides a performance review of the NEOs assessing each NEO's performance, strengths and accomplishments, along with challenges and areas for improvement. Mr. Milroy makes compensation recommendations (base, assessment of individual performance on the MIP calculation and equity grant), which are reviewed by the Compensation Committee and then submitted to our board for final review and approval.

Mr. Milroy must also conduct a self-assessment of his performance during the fiscal year, which he reviews with the Chairs of the Compensation and Corporate Governance Committees. Each of our directors and the members of our executive management team also complete separate evaluations of Mr. Milroy's performance. The Chairs of the Compensation and Corporate Governance Committee review the assessments with the Corporate Governance Committee. Hay Group then works with the Chair of the Compensation Committee to make compensation recommendations for review by the Compensation Committee and final review and approval by the board. In fiscal 2010, no merit increases were granted for the NEOs, consistent with other company-wide actions, provided that Mr. Milroy received a salary adjustment when he was elevated to Chief Executive Officer in May 2009, and our board also approved a base adjustment in fiscal 2010 for the Vice President, General Counsel and Corporate Secretary based on market data.

Annual Management Incentive Plan

Our MIP is a variable pay program tied to achievement of annual business and individual performance goals. The MIP is designed to compensate NEOs for meeting specific company financial goals and for individual performance. MIP target incentive levels are based on competitive market data, job content and responsibilities, and internal equity. Cash incentive awards to our Chief Executive Officer that are based on quantitative measures are settled in cash as performance awards pursuant to our 2006 Equity Incentive Plan, under terms similar to our MIP awards, so that the payments will be deductible pursuant to Section 162(m) of the Internal Revenue Code. Target incentive levels are expressed as a percentage of base salary, as follows:

Position	Target Incentive (as a % of Base Salary)
Chief Executive Officer	75%
Executive Vice President and Chief Financial Officer	60%
President, G&K Services Canada	50%
Senior Vice President, US Rental Operations	50%
Vice President, General Counsel and Corporate Secretary	40%

Management Incentive Plan Payouts

In fiscal 2010, our MIP design was divided into two measurement periods for financial goals. The first period was comprised of the first two fiscal quarters of the year, and the second period was comprised of the last two quarters of the fiscal year. MIP payouts were calculated based on actual performance against measures set at the beginning of

each period. These measures were reviewed and approved by the Compensation Committee. The measures aligned NEOs with clear line-of-sight responsibility to:

Quantitative Financial Measures: revenue and earnings benchmarks were chosen as the key financial measures for the MIP because they best represent our primary short-term growth goals and align with and support the attainment of our long-term strategy.

Individual Discretionary: discretionary assessment of performance, which considers all dimensions of performance over the year, including individual performance, functional leadership, teamwork and collaboration and results achieved on assigned tasks or projects.

Plan Measures and Weights and Performance Targets

The plan measures and weights, as well as the performance targets and results, are as follows:

Performance Measures	Weights		Performance Targets for Financial Measures				Results ⁽⁵⁾	
	CEO	EVP, President G&K Canada, SVP and VP	(4)	Threshold- 30% Payout	Target- 100% Payout	Maximum- 200% Payout	Achievement	Fac
Company Financial Measures:								
Revenue Achievement ⁽¹⁾	32%	28%	Period 1 Period 2	400.7 405.6	417.4 422.5	434.1 439.4	98.65% 97.33%	76.44 53.28
Achievement ⁽²⁾	48%	42%	Period 1 Period 2	0.34 0.71	0.41 0.82	0.55 1.04	114.63% 91.46%	142.8 55.45
Individual Discretionary	20%	30%		0% Payout	100% Payout	200% Payout		
					(3)		(3)	
1	100%	100%						

- (1) In order to earn a payout for the company revenue growth objective, performance must be achieved at or above the threshold level.
- (2) In order to earn a payout for the company earnings per share growth objective, performance must be achieved at or above the threshold level.
- (3) The actual payouts for the discretionary component of the MIP achieved for each NEO for fiscal 2010, expressed as a percentage of the applicable target incentive referenced in the preceding table, were as follows: Mr. Milroy 25%, Mr. Wright 30%, Mr. Curran 36%, Mr. Wood 33% and Mr. Cotter 33%.
- (4) Due to the dynamic nature of the fiscal year 2010 economic environment, our MIP design was divided into two measurement periods for financial goals. Achievement was calculated at the end of both periods and combined to determine overall performance.
- (5) Certain adjustments, including gains on asset sales and divestitures and income from the accounting change were excluded for purposes of calculating incentive compensation.

Plan measures and weights were carefully reviewed by the Compensation Committee and approved by our board. Performance targets are recommended prior to each fiscal year based on business unit plans, expected progress toward long-term goals, and anticipated market conditions. The annual performance targets for company revenue growth and earnings per share are then presented to and approved by the Compensation Committee. MIP payouts for company financial measures are based on actual business results compared to the performance targets, which were approved at the beginning of the fiscal year.

At the end of the fiscal year, a rating of the results is recommended by Mr. Milroy for his direct reports, and presented to the Compensation Committee for review and to the board for final review and approval. Mr. Milroy's results are evaluated by the Compensation and Corporate Governance Committees, with their recommended rating on individual performance submitted to the board for final review and approval.

MIP Calculation

The payout for each quantitative measure of an NEO's MIP calculation is determined by multiplying the following factors: the NEO's base salary, his target incentive, the applicable measure weight and the payout factor. The total payout is equal to the sum of the payouts for each measure. Our Compensation Committee determines incentive compensation plan design for financial measures based generally on achievement of certain targets against an internal business plan approved annually by our board. Over the past three years, the payout percentage has ranged from 0% to 146% of each executive participant's target award opportunity for these measures, with an average payout percentage equal to approximately 77% of the target award opportunity. MIP payouts are currently capped at 200% of target.

Our Compensation Committee determines the discretionary portion of each NEO's MIP award following recommendations from Mr. Milroy, other than with respect to himself. With respect to all NEOs, including Mr. Milroy, the Compensation Committee recommends the discretionary bonus amounts to our board based on performance, company results, market data provided by the compensation consultant and previous awards. Our board approves the discretionary recommendation for all NEOs.

In making specific grants relative to the discretionary component of each NEO's award, our board, the Compensation Committee and Mr. Milroy, other than with respect to himself, considered the following individual accomplishments:

Douglas A. Milroy	leadership of development and implementation of our new strategic game plan; fostering the development of organizational skills and capabilities; responsibility for ongoing day-to-day execution of key business initiatives; and effective management of our leadership transition.
Jeffrey L. Wright	active role in development and implementation of our new strategic game plan; active responsibility for all financial, accounting and financial reporting obligations; management of the company's overall corporate finance and capital structure needs; careful cost management; and in-depth financial analysis of our business.
Robert G. Wood	active role in development and implementation of our new strategic game plan; leadership and strategic direction of our Canadian corporate and field operations; leadership of process improvement initiatives throughout our Canadian field operations; and careful cost management and significant improvements in underperforming locations.
Timothy N. Curran	active role in development and implementation of our new strategic game plan; leadership and strategic direction of our U.S. field operations; leadership of process improvement initiatives throughout our U.S. field operations; and careful cost management and significant improvements in underperforming locations.
Jeffrey L. Cotter	active role in development and implementation of our new strategic game plan; effective legal support for company-wide business initiatives; leadership of our enterprise risk management process; and attendance to our ongoing legal and compliance needs.

Long-Term Equity Compensation

Long-term equity compensation supports strong organization performance over a period of time (typically at least three years). Long-term equity compensation aligns NEOs' compensation with shareholders' interests, rewards NEOs for increasing long-term shareholder value, and promotes executive retention. Long-term equity award targets for each position are established each year based on competitive market data, also taking into account the rate at which equity grants deplete the number of shares available for grant (run rate) and shareholder dilution. Individual equity awards are based on individual performance.

In fiscal 2010, we granted two types of equity awards:

Non-Qualified Stock Options each stock option represents the right to purchase a specified number of shares of our common stock at a price equal to the fair market value of the common stock on the date of grant. Options vest and become exercisable in equal installments over three years and have a term of ten years.

Restricted Stock restricted stock represents the right to own common stock after the time restrictions lapse. Restrictions on restricted stock generally lapse in equal installments over five years

Vesting schedules and term lengths

Vesting schedules and term lengths for new grants are periodically reviewed by the Compensation Committee. The Compensation Committee has determined that the existing vesting schedule and term lengths provide the appropriate balance between employee retention and reward for performance.

Grant Targets and Mix

Our equity grant practice is to use a combination of stock options (to reward growth) and restricted stock (to support retention). Each year, we establish target grant values taking into consideration market median grant levels while still managing annual run rate and shareholder dilution within appropriate levels. We then evaluate the mix with the objective of delivering as much of the equity grant in stock options as possible to drive growth. For fiscal 2010, for each of our NEOs with respect to the target expected value of equity compensation grants, the Compensation Committee approved an allocation of 25% stock options and 75% restricted stock. After establishing the mix, the target grant levels are converted into shares using the following formulas:

Stock Options: (percentage allocated to stock options x target grant level)/Black Scholes value

Restricted Stock: (percentage allocated to restricted stock x target grant

level)/per share value of our common stock as of the date of the calculation.

Grant Practice

We make our equity grants effective as of the date of the August Board of Directors meeting, which occurs after the year-end earnings announcement. On occasion, the Compensation Committee may grant stock options or restricted stock to NEOs at times other than the annual grant date, e.g., upon hire or promotion, with the grant price set equal to the closing market price on the day of grant.

Equity Holding Guidelines

We believe that requiring executive officers to hold significant amounts of our common stock strengthens the alignment of the executive officers' interests with those of our shareholders and promotes achievement of long-term business objectives. Currently, our equity holding guidelines require NEOs to hold one-half of all shares granted for three years, net of the number of shares required to cover estimated taxes and exercise costs. The holding requirements apply to restricted stock at the time of vesting and stock options at the time of exercise. Our NEOs are allowed five years to achieve ownership targets, which are five times base salary for Mr. Milroy and three times base salary for the remaining NEOs. The Compensation Committee annually reviews the progress against the ownership guidelines.

Benefits

Benefits include health and welfare, retirement, and perquisite programs that are intended to provide financial protection and security to NEOs and their families and to reward their dedication and long-term commitment to the company. Our sponsorship (coupled with competitive employee cost-sharing arrangements) of these plans is critical to our ability to attract and retain the talent we need to support our overall business objectives. NEOs have the opportunity to participate in the same retirement, health and welfare plans as our other salaried employees, as well as the following supplemental benefits:

Supplemental Executive Retirement Plan (SERP) (this plan was frozen as of January 1, 2007; therefore Messrs. Milroy and Cotter do not participate, nor does Mr. Wood, as he is not covered by the plan)

Executive Deferred Compensation Plan (DEFACO)

Executive long-term disability insurance

Financial planning services

n Chief Executive Officer \$7,500 each year

n All other NEOs \$5,000 each year

Executive physical

Leased automobiles for certain NEOs, which are in the process of being phased out and replaced with a weekly taxable car allowance. During fiscal 2010, the company provided Mr. Milroy with a leased vehicle through December 2009. No other NEO had a leased vehicle. Additionally, Mr. Cotter does not receive a car allowance. The following NEOs currently receive the following weekly car allowance: Mr. Milroy \$375, Mr. Wood \$413 CAD, Mr. Wright \$375 and Mr. Curran \$231.

Severance and Change-in-Control Benefits: Employment Agreements

Severance and change-in-control benefits include salary and certain benefits that are paid in the event of termination of employment under certain circumstances, including following a change in control. Severance and change-in-control benefits help attract executive talent and create an environment that provides for adequate business transition and knowledge transfer during times of change. The level of this severance protection is established to be competitive with market best practices. We utilize employment agreements for the following levels in our organization: Chief Executive Officer, Executive Vice President and Chief Financial Officer, President and Senior Vice President. Specifically, we have entered into employment agreements with Messrs. Milroy, Wright, Wood and Curran that provide benefits to the executive if the individual is terminated after a change in control of the company. Specifically, benefits are provided if the executive is terminated within one year following a change in control if the termination is by the employer without cause, or by the executive for good reason. The various key terms are defined specifically in each agreement. Severance benefits are also payable in such circumstances. In the event of a change in control, and regardless of whether the executive is terminated, unvested equity awards will vest immediately upon the change in control, consistent with the provisions of our equity compensation plan. We also have in place an Executive Severance and Change in Control policy under which Mr. Cotter is entitled to certain benefits following certain termination and change in control events. Finally, our employment agreements with Messrs. Milroy and Wright contain additional provisions requiring each of them to resign from all positions held with us in the event their employment with us is terminated, including any of our company boards on which they serve as a director.

These agreements were put in place and the related triggers were selected to assure that we will have the continued dedication, undivided loyalty and objective advice and counsel from these key executives in the event of a proposed transaction, or the threat of a transaction, which could result in a change in control of the company. We also believe that these agreements are beneficial to us because, in consideration for these severance arrangements, the executives agree to noncompetition and non-solicitation covenants for a period of time following termination of employment.

Why do we choose to pay each element?

We strive to effectively utilize elements of compensation under a total reward philosophy that combines annual and multi-year reward opportunities. Our intent is to develop a compensation program that rewards the annual accomplishment of the company's goals and objectives while supporting our long-term business strategy. We want to encourage our executives to increase shareholder value.

How do we determine the amount/formula for each element?

Executive compensation is reviewed annually, as follows:

Compensation

Committee

Meeting

Held In: Agenda

February Review and approve the peer group composition

May Review market data, establish equity guidelines, review MIP design and establish preliminary company financial performance targets for the upcoming fiscal year

June Approve MIP design and company financial performance targets for the upcoming fiscal year

August Review performance for prior year and approve merit increases, MIP payouts and equity grants, provided our board approves all compensation actions for NEOs

November Review executive equity holdings and review director compensation

Executive compensation is set at levels that the Compensation Committee believes to be competitive with those offered by selected employers of comparable size, growth and profitability, both in and outside our industry. Annually, the Compensation Committee reviews all elements of executive compensation, individually and in the aggregate, against market data for companies with which we compete for executive talent. Hay Group works with our internal human resources and compensation and benefits professionals in conducting research and formulating recommendations for the Compensation Committee's consideration to determine the levels and components of compensation to be provided for the fiscal year. Hay Group also provides background material for consideration by the Compensation Committee with respect to compensation for Mr. Milroy. The Compensation Committee evaluates our executive compensation based on competitive market information obtained from:

proxy data from a peer group of publicly-traded companies with similar industry sector (business services), similar size (revenue, capitalization, number of employees) and geographic proximity to our company; and

general survey data based on similar sized companies.

Peer Group Data

The various elements of our executive compensation program for fiscal 2010 were benchmarked relative to the compensation provided to executives of the following peer group:

ADC Telecommunications, Inc.

Apogee Enterprises, Inc.

Casella Waste Systems, Inc.

Cintas Corporation

Clean Harbors, Inc.

Deluxe Corporation

Donaldson Company, Inc.

H.B. Fuller Company

Graco, Inc.

Rollins, Inc.

Stericycle, Inc.

Tennant Company

The Toro Company

TrueBlue Inc.

UniFirst Corporation

We annually review the peer group to ensure an appropriate mix of companies that are representative of the companies with which we compete for talent. During fiscal 2010, we realigned our peer group to ensure that it includes appropriate service industry comparisons, other companies with headquarters located near our corporate headquarters and companies that more closely match our size. To that end, the following companies were added to our peer group in fiscal 2010: ADC Telecommunications, Inc., Casella Waste Systems, Inc., H.B. Fuller Company, Graco, Inc., Stericycle, Inc. and Tennant Company. In fiscal 2010, the following companies were removed from our peer group: Bowne & Company, Comfort Systems USA, Inc., Crawford & Company, Exterran Holdings, Inc., Invacare Corporation, Kinetic Concepts, Inc., Mine Safety Appliances Company, Paychex, Inc., Pentair, Inc., Polaris Industries Inc. and Varian Medical Systems, Inc.

General Survey Data

We benchmark NEO compensation to survey data based on job responsibility, generally using market median data from companies with comparable revenue. We also benchmark plan design, plan features, and participant eligibility as part of the overall analysis process.

Market data is only one reference point in making compensation decisions. We also consider the following key variables:

size and scope of the position and level of responsibility;

experience and capabilities of the NEO;

the NEO's performance and potential;

internal equity (pay of other NEOs);

unique market premiums for key positions;

the NEO's compensation history; and

business complexity.

Disparity among NEOs

There are no policy differences with respect to the compensation of individual NEOs. The compensation disparity between our highest paid

NEOs and other NEOs is due to the difference in nature among the positions and market factors.

How does each element and our decision regarding that element fit into our overall compensation objectives and affect decisions regarding other elements?

In general, each NEO's compensation at target is weighted more heavily on variable performance-based compensation than on fixed base compensation. This pay mix supports the role of the NEOs in enhancing value to shareholders over the long-term. The variable pay components at target (annual and long-term incentives) represented more than one-half of the total pay opportunity for all NEOs, all of which is at risk. Through this mix of pay, performance has a significant effect on the amount of compensation realized by NEOs. In making actual individual pay decisions, the Compensation Committee considers company performance and individual NEO performance.

Tax Considerations

Section 162(m) of the Internal Revenue Code limits the tax deductibility of compensation in excess of \$1 million paid to our NEOs, unless the compensation constitutes qualified performance-based compensation, as defined in this code section. While the Compensation Committee considers the deductibility of compensation arrangements as an important factor in compensation decisions for executives, deductibility is not the sole factor used by the Compensation Committee in ascertaining appropriate levels or modes of compensation. We believe that to remain competitive, we must maintain a compensation program that will continue to attract, retain, and reward the executive talent necessary to maximize shareholder return.

How do our compensation policies relate to our risk management practices and/or risk-taking incentives?

We design our compensation programs to ensure they do not encourage excessive risk-taking and are compatible with effective internal controls and risk management practices of the company. We believe the balance between short- and long-term incentives supports our shareholders' desire that we deliver results while ensuring financial soundness of our company through various market cycles. Together with the compensation consultant engaged by the Compensation Committee, in fiscal 2010 we again evaluated the current risk profile of our executive and broad-based compensation programs. In doing so, we considered those of our policies and practices that serve to effectively manage or mitigate risk, including provisions of both our annual and long-term incentive plans. Specifically, we continued to rely on our multiple performance measures, discretion in payment of individual awards and in granting stock awards, use of stock ownership guidelines and the ability of our Compensation Committee to incorporate claw back features in stock awards. We also noted our process of internal control over financial reporting that ensures our performance-based awards are based on accurate data, robust analysis of historical and anticipated payouts and our strengthening of an enterprise risk management function to assist with managing risk of all kinds. Based on this analysis, we concluded that the architecture of our compensation programs, both executive and broad-based, provide multiple effective safeguards to protect against unnecessary risk-taking, effectively balancing risk and reward in the best interest of our shareholders.

Compensation Committee Report

The Compensation Committee of our Board of Directors has furnished the following report:

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with the company's management. Based on that review and discussion, the Compensation Committee has recommended to the company's Board of Directors that the Compensation Discussion and Analysis be included in the company's proxy statement for the 2010 annual meeting of shareholders.

John S. Bronson
J. Patrick Doyle
Wayne M. Fortun

The Compensation Committee Report set forth above will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate such reports by reference, and such report will not otherwise be deemed to be soliciting materials or to be filed under such acts.

Fiscal 2010 Summary Compensation Table

The table below shows the compensation of our NEOs for services in all capacities to the company in fiscal 2010. For a discussion of the amount of an NEO's salary and bonus in proportion to his total compensation, see the Compensation Discussion and Analysis on pages 5 to 12.

We believe that our compensation practices are fair and reasonable. Our NEOs are not guaranteed salary increases, bonus amounts or long-term equity grants. Pension benefits have been frozen and were calculated on salary and bonus only; the proceeds earned on equity or other equity-based performance awards were not part of the pension calculation. We do not guarantee a return or provide above-market returns on compensation that has been deferred. We have not re-priced stock options, and we do not grant reload options. We believe our compensation program holds each NEO accountable for our financial and competitive performance and for his individual contribution toward that performance, and we do not believe that our compensation practices encourage unnecessary risks.

NEO	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Restricted Stock Awards (\$) ⁽³⁾	Stock Options (\$) ⁽⁴⁾	Non-Equity Incentive Compensation (\$) ⁽⁵⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁶⁾	All Other Compensation (\$) ⁽⁷⁾	Total (\$)
Douglas A. Milroy, <i>Chief Executive Officer</i>	2010	560,577		555,250	174,780	383,146	(8)	94,736	1,768,488
	2009	348,821		682,818	383,144	100,000		78,781	1,593,566
	2008	301,995	45,000	254,450	261,750	135,664		54,108	1,052,962
Frey L. Wright, <i>Executive Vice President and Chief Financial Officer</i>	2010	364,205		255,748	69,878	191,620	82,044	72,841	1,036,336
	2009	355,154		532,205	101,540	78,594	15,178	90,546	1,173,217
	2008	341,348		276,550	335,789	265,594	(9)	87,286	1,306,566
Bert G. Wood, <i>President, G&K Services Canada</i>	2010	412,582		158,579	43,295	197,331	(10)	60,673	872,460
	2009	369,260		160,898	92,299	46,157		59,483	728,097
	2008	423,207		210,250	318,024	154,607		91,251	1,197,339
Moorthy N. Curran, <i>Senior Vice President, U.S. Field</i>	2010	280,492		158,579	43,295	131,171	25,052	50,758	689,347
	2009	264,363		72,652	80,314	44,000	4,667	106,408	572,404
	2008			120,057	32,074				152,131
Frey L. Cotter, <i>Vice President, General Counsel and Corporate Secretary</i>	2010	256,483		90,284	24,672	92,397	(8)	27,272	491,106
	2009	220,742		51,062	29,270	31,501		20,608	353,183
	2008			36,634	5,090				41,724

(1) The annual base salary set by the Compensation Committee for fiscal 2010 (effective September 1, 2009) for each NEO was as follows: Mr. Milroy \$550,000; Mr. Wright: \$357,245; Mr. Wood: \$427,137 CAD (in the table above, Mr. Wood's fiscal 2010 base salary has been converted to USD using an average exchange rate for fiscal 2010 of 0.9477); Mr. Curran \$275,000; Mr. Cotter \$250,000. The annual base salary set by the Compensation Committee for fiscal 2009 (effective September 1, 2008) for each NEO was as follows: Mr. Milroy \$318,206, adjusted to \$550,000 effective as of May 7, 2009; Mr. Wright: \$357,245; Mr. Wood: \$427,137 CAD (in the table above, Mr. Wood's fiscal 2009 base salary has been converted to USD using an average exchange rate for fiscal 2009 of 0.8645); Mr. Curran \$275,000; Mr. Cotter \$225,000. The annual base salary set by the Compensation Committee for fiscal 2008 (effective September 1, 2007) for each NEO was as follows: Mr. Wright: \$345,164; Mr. Wood: \$427,137 CAD (in the table above, Mr. Wood's fiscal 2008 base salary was converted to USD using an average exchange rate for fiscal 2008 of 0.9908); and Mr. Milroy: \$304,504. Messrs. Curran and Cotter were not executive officers prior to the beginning of fiscal 2009; thus, their base salaries were not determined by the

Compensation Committee. Annual base salary rates reflect 52 weeks of pay. Our fiscal 2010 calendar included 53 weeks; thus, the actual earnings are slightly higher than the referenced base salaries.

- (2) Our MIP is performance-based. In accordance with SEC requirements, these amounts are reported in the Non-Equity Incentive Compensation table and column. In fiscal 2008, Mr. Milroy received a discretionary bonus equal to 15% of his base salary, or \$45,000, for his significant contributions involving the implementation of SAP software into Lion Uniform Group; the development of a revised plan for the introduction of Dockers® apparel in the company utilizing existing facilities; and for playing a key advisory role on a key new project affecting the company's service organization, which was in addition to his other assigned responsibilities.
- (3) The dollar amounts represent the aggregate grant date fair value of restricted stock awards granted during each of the years presented. The grant date fair value of a restricted stock award is measured in accordance with FASB ASC Topic 718. *See* Note 11 to our audited financial statements for the year ended July 3, 2010. Accounting estimates of forfeitures are not included in these figures.
- (4) The dollar amounts represent the aggregate grant date fair value of option awards granted during each of the years presented. The grant date fair value of an option award is measured in accordance with FASB ASC Topic 718. *See* Note 11 to our audited financial statements for the year ended July 3, 2010. Accounting estimates of forfeitures are not included in these figures.
- (5) Includes MIP performance amounts earned for performance in fiscal years 2010, 2009 and 2008.
- (6) We do not pay above market earnings on deferred compensation. Therefore, no amounts are reported in this column for deferred compensation. For qualified and non-qualified plan benefits this represents (i) the actuarial present value of the accrued benefit as of June 30, 2010 and valued as of June 30, 2010, minus (ii) the actuarial present value of the accrued benefit as of June 30, 2009 and valued as of June 30, 2009. The benefits have been valued assuming benefits commence at age 65 and using FAS 87 assumptions for mortality, assumed payment form and discount rates in effect at the measurement dates. Mr. Wood is not eligible to participate in our Pension Plan, SERP, DEFCO, or 401(k) plan. Instead, he participates in a Canadian pension program and a retirement compensation arrangement.
- (7) The value of perquisites and other personal benefits is provided in this column (*see* table below).
- (8) Messrs. Milroy and Cotter do not participate in our SERP or our Pension Plan.
- (9) For fiscal year 2008, the change in value for Mr. Wright was (\$2,944) under our Pension Plan and (\$13,741) under our SERP.
- (10) Mr. Wood is not covered by our U.S. qualified and non-qualified retirement plans.

NEO	Year	Perquisites ⁽¹⁾	All Other Compensation				Total All Other Compensation	
			401(k) Match (\$) ⁽²⁾	DEFECO Match (\$) ⁽³⁾	Taxable Life Insurance (\$) ⁽⁴⁾	Pension (\$) ⁽⁵⁾		Executive LTD (\$) ⁽⁶⁾
Douglas A. Milroy	2010	18,390	13,690	62,655			94,736	
	2009	18,286	10,762	49,733			78,781	
	2008	16,058	5,068	32,982			54,108	
Jeffrey L. Wright	2010	22,692	9,553	40,596			72,841	
	2009	18,711	9,917	61,918			90,546	
	2008	34,393	10,043	42,850			87,286	
Robert G. Wood	2010	20,767			939	37,054	1,913	60,673
	2009	17,247			871	40,333	1,032	59,483
	2008	47,778			1,040	41,250	1,183	91,251
Timothy N. Curran	2010	16,252	9,610	24,897				50,758
	2009	72,091	10,562	23,755				106,408
	2008							
Jeffrey L. Cotter	2010	4,625	10,196	12,451				27,272
	2009	192	10,289	10,127				20,608
	2008							

(1) Amounts for fiscal 2010 reflect the following: Mr. Milroy \$500 for financial planning, \$8,515 for the cost of his leased vehicle for the months of July through December (calculated based on the cost of the leased vehicle to the company, including lease, insurance, gas and maintenance) and \$9,375 for his car allowance from January through June; Mr. Wright \$2,726 for financial planning, \$19,875 for his car allowance and \$91 in tax gross-ups paid in connection with a company recognition event; Mr. Wood \$20,767 for his car allowance; Mr. Curran \$3,930 for financial planning, \$12,231 for his car allowance and \$91 in tax gross-ups paid in connection with a company recognition event; and Mr. Cotter \$4,625 for financial planning.

(2) Includes company match on 401(k) and non-elective contributions.

(3) Includes company match on DEFECO and non-elective contributions.

(4) Includes fees paid by us for taxable life insurance.

(5) Includes a company match to a Canadian retirement plan for Mr. Wood and contributions by us to a Canadian retirement compensation arrangement for Mr. Wood.

(6) Includes fees paid by us for an executive long-term disability plan for Mr. Wood.

Grants of Plan-Based Awards in Fiscal 2010

The following table shows the grants of plan-based awards to our NEOs in fiscal 2010. All awards identified by a grant date and approval date reflect awards made under our 2006 Equity Incentive Plan. Awards with no grant date or

award date denoted reflect awards under our MIP. All restricted stock awards vest in equal increments over a five-year period, beginning with the first anniversary of the date of grant. All grants of options vest in equal increments over a three-year period, beginning with the first anniversary of the date of grant. Holders of restricted stock (both vested and unvested shares) are entitled to receive the same dividends as all other shareholders receive. In each quarter of fiscal 2010, we paid a dividend of \$0.075 per share.

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (\$) ⁽¹⁾⁽²⁾			Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	All Other Option Awards: Number of Shares of Stock or Units ⁽⁴⁾	Exercise or Base Price of Option Awards (\$) ⁽⁵⁾	Grant Date Fair Value of Stock and Options Awards (\$) ⁽⁶⁾
			Minimum	Target	Maximum					
Douglas A. Milroy	08/20/09	08/20/09	412,500	825,000		25,000	35,000	22.21	730,030	
Jeffrey L. Wright	08/20/09	08/20/09	214,347	428,694		11,515	15,354	22.21	325,626	
Robert G. Wood	08/20/09	08/20/09	202,399	404,797		7,140	9,513	22.21	201,874	
Timothy N. Curran	08/20/09	08/20/09	137,500	275,000		7,140	9,513	22.21	201,874	
Jeffrey L. Cotter	08/20/09	08/20/09	100,000	200,000		4,065	5,421	22.21	114,955	

(1) These columns reflect minimum, target, and maximum payouts under our MIP for fiscal 2010. Mr. Wood's target was converted to USD using an exchange rate of 0.9477. The maximum payouts for NEOs and other executives reporting to the CEO were determined based on a formula for the financial measures, as follows: for each 5% above the EPS target, the payout factor increased by 15% in period one and 19% in period two, and for each 1% of company total revenue above target, the payout factor increased by 25% in both periods. The actual amount earned by each NEO is reported under the Non-Equity Incentive Compensation column in the Summary Compensation table. Over the past three years, the payout percentage has ranged from 0% to 146% of each executive participant's target award opportunity for these measures, with an average payout percentage equal to approximately 77% of the target award opportunity. MIP payouts are currently capped at 200% of target.

- (2) Subject to the provisions of Section 162(m) of the Internal Revenue Code, we may pay some or the entire quantitative portion of any incentive payments to Mr. Milroy under the terms of our 2006 Equity Incentive Plan.

- (3) The stock awards granted to NEOs in fiscal 2010 were restricted stock awards. Each share of restricted stock represents the right to receive a share of our common stock on the vesting date. Restricted stock vests in five equal installments beginning on the first anniversary of the grant date, except that the 15,000 restricted shares granted to Mr. Wright on May 7, 2009 all vest on the third anniversary of the grant date. Dividends are paid on these shares.
- (4) Each stock option granted to an NEO in fiscal 2010 represents the right to purchase a share of our common stock at a specified exercise price subject to the terms and conditions of the option agreement. These options have a ten year term and vest and become exercisable in three equal installments beginning on the first anniversary of the grant date.
- (5) The exercise price is the fair market value of our common stock on the day the option was granted. Fair market value is set based on the closing price on the grant date.
- (6) This column represents the grant date fair value of each equity award granted during fiscal 2010, which is calculated in accordance with FASB ASC Topic 718. *See* Note 11 to our audited financial statements for the fiscal year ended July 3, 2010. None of the options or other equity awards granted to our NEOs was re-priced or otherwise modified. For information regarding our equity compensation grant practices, *see* the Compensation Discussion and Analysis on page 10.

Outstanding Equity Awards at Fiscal Year-End 2010

The following table shows the outstanding equity awards for each of the NEOs:

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date ⁽¹⁾	Number of Shares or Units of Stock that Have Not Vested ⁽²⁾	Market Value of Shares or Units of Stock That Have Not Vested ⁽³⁾
Douglas A. Milroy	9,000		39.97	11/20/16	50,918	1,054,003
	4,256	2,128 ⁽⁴⁾	39.82	08/23/17		
		25,000 ⁽⁵⁾	41.17	11/15/14		
	5,428	10,856 ⁽⁶⁾	34.27	08/21/18		
	13,334	26,666 ⁽⁷⁾	23.68	05/07/19		
Jeffrey L. Wright		35,000 ⁽⁸⁾	22.21	08/20/19	37,994	786,476
	2,639		28.50	09/01/10		
	3,220		27.95	09/01/11		
	10,000		35.69	01/02/13		
	10,002		32.57	08/25/13		
	5,700		36.41	08/31/14		
	9,501		42.97	09/01/15		
	12,120		33.11	09/01/16		
	4,626	2,313 ⁽⁴⁾	39.82	08/23/17		
		25,000 ⁽⁵⁾	41.17	11/15/14		
Robert G. Wood	4,593	9,186 ⁽⁶⁾	34.27	08/21/18	16,188	335,092
		15,354 ⁽⁸⁾	22.21	08/20/19		
	6,000		35.69	01/02/13		
	6,000		32.57	08/25/13		
	7,300		36.41	08/31/14		
	6,150		42.97	09/01/15		
	1,350		39.09	02/22/16		
	7,731		33.11	09/01/16		
	3,516	1,758 ⁽⁴⁾	39.82	08/23/17		
		25,000 ⁽⁵⁾	41.17	11/15/14		
Timothy N. Curran	4,175	8,350 ⁽⁶⁾	34.27	08/21/18	12,010	248,607
		9,513 ⁽⁸⁾	22.21	08/20/19		
	3,000		39.19	01/26/14		
	4,000		36.41	08/31/14		
		42.97	09/01/15			

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	5,481		33.11	09/01/16		
	2,004	1,002 ⁽⁴⁾	39.82	08/23/17		
	1,885	3,770 ⁽⁶⁾	34.27	08/21/18		
	1,667	3,333 ⁽⁹⁾	35.92	09/23/18		
		9,513 ⁽⁸⁾	22.21	08/20/19		
Jeffrey L. Cotter	1,000		39.44	02/03/16	5,909	122,316
	492		33.11	09/01/16		
	318	159 ⁽⁴⁾	39.82	08/23/17		
	1,324	2,648 ⁽⁶⁾	34.27	08/21/18		
		5,421 ⁽⁸⁾	22.21	08/20/19		

⁽¹⁾ For each option shown, the expiration date is the tenth anniversary of the date the option was granted, except for those options referenced in footnote 5.

- (2) The following table indicates the dates when the shares of restricted stock held by each NEO vest and are no longer subject to forfeiture:

Vesting Date	Douglas A. Milroy	Jeffrey L. Wright	Robert G. Wood	Timothy N. Curran	Jeffrey L. Cotter
08/20/10	5,000	2,303	1,428	1,428	813
08/21/10	1,221	1,033	939	424	298
08/23/10	1,278	1,389	1,056	603	184
09/01/10		1,907	1,222	816	50
11/20/10	600				
02/22/11			90		
05/07/11	4,000				
08/20/11	5,000	2,303	1,428	1,428	813
08/21/11	1,221	1,033	939	424	298
08/23/11	1,278	1,389	1,056	603	184
09/01/11		1,273	812	549	50
11/20/11	600				
05/07/12	4,000	15,000			
08/20/12	5,000	2,303	1,428	1,428	813
08/21/12	1,221	1,033	939	424	298
08/23/12	1,278	1,389	1,056	603	184
05/07/13	4,000				
08/20/13	5,000	2,303	1,428	1,428	813
08/21/13	1,221	1,033	939	424	298
05/07/14	4,000				
08/20/14	5,000	2,303	1,428	1,428	813
Total	50,918	37,994	16,188	12,010	5,909

- (3) Calculated by multiplying the number of restricted shares by \$20.70, the closing price of our common stock on July 2, 2010, the last business day of the fiscal year. Dividends are paid on these shares.
- (4) The remaining shares became exercisable on August 23, 2010.
- (5) These options cliff vest and become exercisable on November 15, 2010, assuming continued employment.
- (6) These options continue to vest and the remaining shares become exercisable in two equal installments on August 21, 2010 and 2011, assuming continued employment.
- (7) These options continue to vest and the remaining shares become exercisable in two equal installments on May 7, 2011 and 2012, assuming continued employment.
- (8) These options continue to vest and the remaining shares become exercisable in two equal installments on August 20, 2010, 2011 and 2012, assuming continued employment.

(9) These options continue to vest and the remaining shares become exercisable in three equal installments on September 23, 2010 and 2011, assuming continued employment.

Fiscal 2010 Option Exercises and Stock Vested

The following table lists the number of shares acquired and the value realized as a result of option exercises by the NEOs in fiscal 2010 and the value of any restricted stock units that vested in fiscal 2010:

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$) ⁽¹⁾
Douglas A. Milroy			7,099	170,340
Jeffrey L. Wright			4,719	109,414
Robert G. Wood			3,307	76,597
Timothy N. Curran			1,843	42,683
Jeffrey L. Cotter			532	12,158

(1) Calculated by multiplying the closing price on the date of vesting times the number of shares.

Fiscal 2010 Pension Benefits

The following table shows the present value as of June 30, 2010 of the benefit of the NEOs under our qualified and nonqualified defined benefit pension plans:

	Plan Name	Number of Years of Service Credited Under Plan at FAS Measurement Date (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Douglas A. Milroy ⁽¹⁾	G&K Services Pension Plan	N/A	N/A	N/A
	G&K Services SERP	N/A	N/A	N/A
Jeffrey L. Wright	G&K Services Pension Plan	8.00	70,349	
	G&K Services SERP	8.00	170,388	
Robert G. Wood ⁽²⁾	G&K Services Pension Plan	N/A	N/A	N/A
	G&K Services SERP	N/A	N/A	N/A
Timothy N. Curran	G&K Services Pension Plan	3.00	29,912	
	G&K Services SERP	3.00	46,696	
Jeffrey L. Cotter ⁽³⁾	G&K Services Pension Plan	N/A	N/A	N/A
	G&K Services SERP	N/A	N/A	N/A

(1) Mr. Milroy does not participate in our Pension Plan or our SERP.

(2) Mr. Wood is not covered by our U.S. qualified and non-qualified retirement plans.

(3) Mr. Cotter does not participate in our Pension Plan or our SERP.

G&K Services Pension Plan

Two of our NEOs (Messrs. Wright and Curran) participate in our Pension Plan. Effective December 31, 2006, benefits under this plan were frozen, meaning the accrual of future benefits under the plan was discontinued. Benefits are the greater of the amounts determined under the 1989 pension formula or, if the participant is eligible, under the 1988 pension formula.

The 1989 pension formula is 2/3rds of 1% of participant's average compensation plus one-half of 1% of average compensation in excess of covered compensation, multiplied by benefit accrual service at December 31, 2006 (or termination, if earlier), not to exceed 30.

The 1988 pension formula:

Eligibility if a participant had an accrued benefit under the Pension Plan as of December 31, 1988, and the participant was not a Highly Compensated Employee during the 1989 plan year, the participant is eligible to continue to earn benefits under the 1988 pension formula until the earliest of December 31, 2006, termination of employment, or the end of the year preceding the plan year in which the participant became a Highly Compensated Employee.

Formula 50% of the participant's average compensation, less 75% of the estimated primary social security benefit, multiplied by years of benefit accrual service at December 31, 2006 (or termination of employment, if earlier), not to exceed 30, divided by 30.

Compensation generally means wages, salaries, and other amounts earned for services provided to us, including, among other items, commissions, incentives, bonuses, and pre-tax contributions to the 401(k) plan. Compensation excludes, among other items, deferrals to deferred compensation plans, amounts realized from restricted stock, stock options, and fringe benefits. Compensation is limited to the compensation thresholds set forth in Internal Revenue Code Section 401(a)(17). Average compensation is the average of the five highest consecutive years of compensation out of the ten consecutive years preceding December 31, 2006 (or termination, if earlier). Covered compensation is the average of social security taxable wage bases for the 35-year period ending with the participant's social security retirement age. An employee attains normal retirement age on the later of the date he or she attains age 65 or the fourth anniversary of the first day of the plan year in which the employee became a participant in the plan. A participant is vested after completing five years of vesting service and is then eligible for vested termination benefits. A vested terminated participant is eligible to commence benefits as early as age 55, in which case, benefits are reduced $6\frac{2}{3}\%$ for each of the first five years commencement precedes normal retirement age and $3\frac{1}{3}\%$ for each year thereafter. A participant is eligible for subsidized early retirement benefits if termination occurs after age 60 with at least 30 years of benefit accrual service, in which case, benefits are reduced 3% for each year commencement precedes normal retirement age.

None of the NEOs are currently eligible for subsidized early retirement benefits.

The normal payment form is the life only annuity. A variety of other payment forms are available, all equivalent in value if paid over an average lifetime.

The present value of benefits shown in the Pension Benefits Table and the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table is the discounted value of the benefit to commence at age 65. The present values were determined using assumptions consistent with those used for our Pension Plan

financial reporting purposes under SFAS 87 unless otherwise directed by SEC Regulation S-K. Some of those assumptions are as follows:

benefits were assumed to commence at age 65;

for the June 30, 2009 and June 30, 2010 measurement dates, for the SERP benefit and the Pension Plan benefit, 65% of the participants are assumed to elect the life only payment option at benefit commencement, and 35% are assumed to elect payment in the 100% joint and survivor payment form. Values for earlier measurement dates assume 100% of the participants elect the life only payment option;

all values were determined as of June 30, 2008, 2009 or 2010, as appropriate;

the discount rate used to determine values was 7.2%, 6.9% and 5.6% as of June 30, 2008, 2009 and 2010, respectively; and

no pre-retirement mortality, retirement, withdrawal or disability was assumed.

Mr. Wood, a Canadian citizen, is not covered by our US pension and SERP plans. Mr. Wood is covered by a defined contribution plan pursuant to which we contribute 2% of his base salary and match his contributions of up to 6% of base salary. The Canadian government sets a limit for total contributions, which for 2010 is \$22,000 CAD, to be adjusted for inflation each year. If this limit is reached, Mr. Wood is covered by a retirement compensation arrangement, or RCA. Under the RCA, we continue to contribute an amount equal to 2% of Mr. Wood's salary and match Mr. Wood's contributions of up to 6% of base pay. One-half of the money contributed to the RCA is held by a trustee and is invested in widely available mutual funds. The other one-half is held by the Canadian government as a refundable tax. One-half of all earnings on funds invested by the trustee is also paid to the Canadian government and is also held as a refundable tax.

SERP

Two of the NEOs (Messrs. Wright and Curran) participate in our SERP. Effective December 31, 2006, benefits under the plan were frozen, meaning the accrual of future benefits under the plan was discontinued.

Benefits under the plan are determined as 50% of average compensation, multiplied by the ratio of benefit accrual service at December 31, 2006 (or termination, if earlier), divided by projected benefit accrual service to age 60 (no less than 30) determined as of December 31, 2006. If, at December 31, 2006, the participant was at least age 60, then the ratio is benefit accrual service at December 31, 2006 (or termination, if earlier), not to exceed 30, divided by 30. Benefits determined under this formula are reduced by benefits payable from the G&K Services Pension Plan.

Compensation is generally equal to the compensation used for purposes of our Pension Plan, but also includes any deferrals the participant made to a deferred compensation plan sponsored by the company. Compensation for SERP benefit purposes is not subject to the thresholds set forth in Internal Revenue Code Section 401(a)(17). Average compensation is the average of the five highest consecutive years of compensation out of the ten consecutive years preceding December 31, 2006 (or termination of employment, if earlier). An employee attains normal retirement age on the date he or she attains age 65. A participant is vested after completing five years of participation service. A vested terminated participant is eligible to commence benefits as early as age 55. A participant is eligible for early retirement benefits if termination of employment occurs after attainment of age 55 and the participant is vested. In either case, the benefit determined for commencement prior to age 65 is the age 65 benefit, before reduction for our Pension Plan benefit offset, reduced $3\frac{1}{3}\%$ for each of the first five years commencement precedes age 65 and $6\frac{2}{3}\%$

for each year thereafter. This is also reduced by our Pension Plan benefit as reduced for commencement under the terms of that plan as of the same date.

The normal payment form is the life only annuity. A variety of other payment forms are available, all equivalent in value if paid over an average lifetime. Distributions are subject to compliance with Section 409A of the Internal Revenue Code.

The SERP contains a non-compete provision. If the participant enters into competition with the company during the three year period following termination of employment, benefits under the SERP are forfeited. This provision is waived for participants working with the company beyond age 65.

The present value of benefits shown in the Pension Benefits Table and the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table is the discounted value of the benefit to commence at age 65. The present values were determined using assumptions consistent with those used for our SERP financial reporting purposes under SFAS 87 unless otherwise directed by SEC Regulation S-K. Some of those assumptions are as follows:

benefits were assumed to commence at age 65;

for the June 30, 2009 and June 30, 2010 measurement dates, for the SERP benefit and the Pension Plan benefit, 65% of the participants are assumed to elect the life only payment option at benefit commencement, and 35% are assumed to elect payment in the 100% joint and survivor payment form. Values for earlier measurement dates assume 100% of the participants elect the life only payment option;

all values were determined as of June 30, 2008, 2009 or 2010 as appropriate;

the discount rate used to determine values was 7.05%, 6.9% and 5.5% as of June 30, 2008, 2009 and 2010, respectively; and

no pre-retirement mortality, retirement, withdrawal or disability was assumed.

DEFCO

Our DEFCO is a non-qualified plan that provides our executives and NEOs with the opportunity to defer up to 25% of base salary and 50% of incentive compensation.

Participants' deferred cash accounts earn a rate of return which tracks the investment return achieved under certain participant-selected investment funds. Participants are eligible to change their investment mix at any time.

We credit deferred accounts with additional amounts equal to the value of the matching contributions. At the time of the initial deferral election, participants must also select a distribution date (no later than age 65) and form of payment for normal retirement. Participants may elect to receive distributions in a single payment or installments.

The following table shows contributions to the NEOs' deferred compensation account in fiscal 2010 and the aggregate amount of deferred compensation as of June 30, 2010:

	Executive Contributions in Last FY (\$) ⁽¹⁾	Registrant Contributions in Last FY (\$) ⁽²⁾	Aggregate Earnings/ Withdrawals/ Distributions (\$)	Aggregate Balance (\$) ⁽⁴⁾
Douglas A. Milroy	107,836	62,655	49,630	551,099