UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Fiscal Year Ended August 31, 2019

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-08504

UNIFIRST CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Massachusetts	**04-2103460**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

68 Jonspin Road
Wilmington, Massachusetts 01887
(Address of Principal Executive Offices)(Zip Code)
Registrant's telephone number, including area code: (978) 658-8888

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.10 par value per share	**UNF**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the Registrant's Common Stock and Class B Common Stock as of October 25, 2019 were 15,294,444 and 3,643,009, respectively. The aggregate market value of the voting stock of the Registrant held by non-affiliates as of February 22, 2019 (the last business day of the Registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of such shares on such date, was approximately $2,229,068,691.

Documents Incorporated By Reference

The Registrant intends to file a Definitive Proxy Statement pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, for its 2020 Annual Meeting of Shareholders within 120 days of the end of the fiscal year ended August 31, 2019. Portions of such Proxy Statement are incorporated by reference in Part III of this Annual Report on Form 10-K.

UniFirst Corporation
Annual Report on Form 10-K
For the Fiscal Year Ended August 31, 2019

Table of Contents

PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations"; "Safe Harbor for Forward-Looking Statements" and "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

ITEM 1. BUSINESS

GENERAL

UniFirst Corporation, a corporation organized under the laws of the Commonwealth of Massachusetts in 1950, together with its subsidiaries, hereunder referred to as "we", "our", the "Company", or "UniFirst", is one of the largest providers of workplace uniforms and protective work wear clothing in the United States. We design, manufacture, personalize, rent, clean, deliver, and sell a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. We also rent and sell industrial wiping products, floor mats, facility service products and other non-garment items, and provide restroom and cleaning supplies and first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies. We serve businesses of all sizes in numerous industry categories. At certain specialized facilities, we also decontaminate and clean work clothes and other items that may have been exposed to radioactive materials and service special cleanroom protective wear and facilities.

Our principal services include providing customers with uniforms and other non-garment items, picking up soiled uniforms or other items on a periodic basis (usually weekly), and delivering, at the same time, cleaned and processed items. We offer uniforms in a wide variety of styles, colors, sizes and fabrics and with personalized emblems selected by the customer. Our centralized services, specialized equipment and economies of scale generally allow us to be more cost effective in providing garment services than customers could be themselves, particularly those customers with high employee turnover rates. During the fiscal year ended August 31, 2019 ("fiscal 2019"), we manufactured approximately 67% of the garments we placed in service. These were primarily work pants and shirts manufactured at three of our plants located in San Luis Potosi, Mexico, one plant located in Managua, Nicaragua, as well as at subcontract manufacturers that we utilize to supplement our manufacturing capacity in periods of high demand. Because we design and manufacture a majority of our own uniforms and protective clothes, we can produce custom garment programs for our larger customers, offer a diverse range of such designs within our standard line of garments and better control the quality, price and speed at which we produce such garments. In addition, among our competitors, we believe we have the largest in-house digital image processing capability, allowing us to convert an image provided by a customer into customized, mass producible embroidered emblems, typically within two days.

PRODUCTS AND SERVICES

We provide our customers with personalized workplace uniforms and protective work clothing in a broad range of styles, colors, sizes and fabrics. Our uniform products include shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. At certain specialized facilities, we also decontaminate and clean clothes and other items which may have been exposed to radioactive materials and service special cleanroom protective wear and facilities. We also offer non-garment items and services, such as industrial wiping products, floor mats, dry and wet mops, restroom and cleaning supplies and other textile products.

We offer our customers a range of garment service options, including full-service rental programs in which garments are cleaned and serviced by us, lease programs in which garments are cleaned and maintained by individual employees and purchase programs to buy garments and related items directly. As part of our rental business, we pick up a customer's soiled uniforms and/or other items on a periodic basis (usually weekly) and deliver back cleaned and processed replacement items. We believe our centralized services, specialized equipment and economies of scale generally allow us to be more cost effective in providing garment and related services than customers would be themselves, particularly those customers with high employee turnover rates. Our uniform program is intended not only to help our customers foster greater company identity, but to enhance their corporate image and improve employee safety, productivity and morale. We primarily serve our customers pursuant to written service contracts that range in duration from three to five years.

Historically, our revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. These fluctuations have been due to a number of factors, including: general economic conditions in our markets; the timing of acquisitions and of commencing start-up operations and related costs; our effectiveness in integrating acquired businesses and start-up operations; the timing of nuclear plant outages; capital expenditures; seasonal rental and purchasing patterns of our customers; and price changes in response to competitive factors. In addition, our operating results historically have been lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. The operating results for any historical quarter are not necessarily indicative of the results to be expected for an entire fiscal year or any other interim periods.

CUSTOMERS

We serve businesses of all sizes in numerous industry categories. During each of the past three years, no single customer in our Core Laundry Operations segment accounted for more than 10% of our revenues. Our typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. Among our largest customers of our conventional uniform rental business are divisions, units, regional operations or franchised agencies of major, nationally recognized organizations. With respect to our Specialty Garment segment, typical customers include government agencies, research and development laboratories, high technology companies and utilities operating nuclear reactors. We currently service over 300,000 customer locations in the United States, Canada and Europe from over 260 customer service, distribution and manufacturing facilities.

MARKETING, SALES, AND CUSTOMER SERVICE

We market our products and services to a diverse customer base and to prospects that range across virtually all industry segments. Marketing contact is made through print advertising, direct mail, publicity, trade shows, catalogs, telemarketing, multiple web sites and direct field sales representation. We have built and maintain an extensive, proprietary database of prescreened and qualified business prospects that have been sourced from our various promotional initiatives, including mailers, web site contacts, advertising responses, sales calls and lists purchased from third-party providers. These prospect records serve as a primary targeting resource for our professional sales organization and are constantly updated, expanded and maintained by an in-house team of specialist database qualifiers and managers. To aid in the effective marketing of products and services, we supply sales representatives with an extensive selection of sales aids, brochures, presentation materials and vertical market communications tools. We also provide representatives with detailed on-line profiles of high opportunity markets to educate them to the typical issues, needs and concerns of those markets. This helps establish credibility and aids their ability to deliver value-based solutions.

We employ a large team of trained professional sales representatives whose sole function is to market our services to potential customers and develop new accounts. While most of our sales representatives are capable of presenting a full range of service solutions, some are dedicated to developing business for a limited range of products and services or have a specific market focus.

For example, in select geographic markets we employ teams of dedicated facility services sales representatives who focus exclusively on developing business for our floor care, restroom and related service programs. We employ specialist executive-level salespeople in our National Account Organization—some who specialize in rental programs and some who specialize in direct sale programs—to target the very largest national companies with known uniform and/or facility services program needs. We believe that effective customer service is the most important element in developing and maintaining our market position. Our commitment to service excellence is reflected throughout our organization. Our route sales representatives are the first line of continuing customer contact, who are supported by local customer service representatives, local service management staff and local operations management leaders, all of whom are focused on addressing the ongoing needs of customers, constantly delivering high-value service and pursuing total customer satisfaction. Our proprietary information systems and our support service center enable us to respond to customer inquiries or issues within 24 hours, and our service personnel are specially trained to handle the daily contact work necessary to effectively manage customer relations.

We measure the speed and accuracy of our customer service efforts on a weekly basis and, through our "Customers for Life" program, we continuously survey, record and report satisfaction levels as a means of evaluating current performance and highlighting areas for improvement.

COMPETITION

The uniform rental and sales industry is highly competitive. The principal methods of competition in the industry are the quality of products, the quality of service and price. Our principal competitors include Cintas Corporation and Aramark Corporation. The remainder of the market, however, is divided among more than 600 smaller businesses, many of which serve one or a limited number of markets or geographic service areas. In addition to our traditional rental competitors, we may increasingly compete in the future with businesses that focus on selling uniforms and other related items. We also compete with industry competitors for acquisitions.

MANUFACTURING AND SOURCING

We manufactured approximately 67% of all garments which we placed in service during fiscal 2019. These garments were primarily work pants and shirts manufactured at three of our plants located in San Luis Potosi, Mexico, one plant located in Managua, Nicaragua, as well as at subcontract manufacturers that we utilize to supplement our manufacturing capacity in periods of high demand. The balance of the garments used in our programs are purchased from a variety of industry suppliers. While we currently acquire the raw materials with which we produce our garments from a limited number of suppliers, we believe that such materials are readily available from other sources. To date, we have experienced no significant difficulty in obtaining any of our raw materials or supplies. Currently, we also manufacture approximately 97% of the mats we place in service at our plant in Cave City, Arkansas.

EMPLOYEES

As of August 31, 2019, we employed approximately 14,000 persons, and approximately 1% of our United States employees are represented by a union pursuant to a collective bargaining agreement. We consider our employee relations to be good.

EXECUTIVE OFFICERS

Our executive officers are as follows:

NAME	AGE	POSITION
Steven S. Sintros	46	President and Chief Executive Officer
Shane O’Connor	45	Senior Vice President and Chief Financial Officer
Cynthia Croatti	64	Executive Vice President and Treasurer
David A. DiFillippo	62	Senior Vice President, Operations
David M. Katz	56	Senior Vice President, Sales and Marketing
Michael A. Croatti	50	Senior Vice President, Operations
William M. Ross	58	Senior Vice President, Operations

The principal occupation and positions for the past five years of our executive officers named above are as follows:

Steven S. Sintros joined our Company in 2004. Mr. Sintros has served as our President and Chief Executive Officer and a Director since July 2017. He has overall responsibility for management of our Company. He previously served as our Chief Financial Officer from January 2009 until January 2018. Mr. Sintros served as a Finance Manager in 2004 and Corporate Controller from 2005 until January 2009.

Shane O’Connor joined our Company in 2005. Mr. O’Connor has served as our Senior Vice President and Chief Financial Officer since January 2018. He has primary responsibility for overseeing the financial functions of our Company, as well as our information systems department. Mr. O’Connor previously served as our Corporate Controller from 2009 to 2016. In 2016, he left the Company to take the role of Senior Vice President and Chief Financial Officer at Unidine Corporation, a leader in dining management services, and he then rejoined our Company in January 2018.

Cynthia Croatti joined our Company in 1980. Ms. Croatti has served as Director since 1995, Treasurer since 1982 and Executive Vice President since 2001. In addition, she has primary responsibility for overseeing the human resources and purchasing functions of our Company.

David A. DiFillippo joined our Company in 1979. Mr. DiFillippo has served as Senior Vice President, Operations since 2002 and has primary responsibility for overseeing the operations of certain regions in the United States and Canada. From 2000 through 2002, Mr. DiFillippo served as Vice President, Central Rental Group and, prior to 2000, he served as a Regional General Manager.

David M. Katz joined our Company in 2009. Mr. Katz is a Senior Vice President and has primary responsibility for overseeing the sales and marketing functions of our Company. Prior to joining our Company, Mr. Katz worked for DHL Express where he served as the Northeast Vice President of Field Sales from 2003 to 2007, the Northeast Vice President of National Account Sales from 2007 to 2008 and the Senior Vice President and General Manager of the Northeast from 2008 until 2009.

Michael A. Croatti joined our Company in 1987. Mr. Croatti became Senior Vice President, Operations in 2015 and has primary responsibility for overseeing specified regions in the United States and the Company's overall service operations. From 2012 through 2015, he served as Senior Vice President, Service; from 2002 through 2012, he served as Vice President, Central Rental Group; and prior to 2002, he held various operating positions within the Company. Michael A. Croatti is the nephew of Cynthia Croatti.

William M. Ross joined our Company in 1989. Mr. Ross became Senior Vice President, Operations in 2016 and has primary responsibility for overseeing specified regions in the United States. From 2002 to 2016, Mr. Ross served as Regional Vice President of the Company. Prior to 2002, Mr. Ross held several sales and operations management positions at the Company.

ENVIRONMENTAL MATTERS

We, like our competitors, are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. We are attentive to the environmental concerns surrounding the disposal of these materials and have through the years taken measures to avoid their improper disposal. Over the years, we have settled, or contributed to the settlement of, actions or claims brought against us relating to the disposal of hazardous materials and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for the presence of such hazardous or toxic substances. There can be no assurance that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third-party actions such as tort suits. We continue to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in, or related to, Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina. For additional discussion refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the risk factors set forth in this Annual Report on Form 10-K.

Our nuclear garment decontamination facilities in the United States are licensed by the Nuclear Regulatory Commission, or in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. We also have nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country's applicable federal agency. In the past, scrutiny and regulation of nuclear facilities and related services have resulted in the suspension of operations at certain nuclear facilities served by us or disruptions in our ability to service such facilities. There can be no assurance that such scrutiny and regulation will not lead to the shut-down of such facilities or otherwise cause material disruptions in our garment decontamination business.

AVAILABLE INFORMATION

We make available free of charge our Proxy Statement, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including exhibits and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. These reports are available on our website at www.unifirst.com. In addition, you may request a copy of our filings, excluding exhibits, by contacting our Investor Relations group at (978) 658-8888 or at UniFirst Corporation, 68 Jonspin Road, Wilmington, MA 01887. Information included on our website is not deemed to be incorporated into this Annual Report on Form 10-K or the documents incorporated by reference into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The statements in this section, as well as statements described elsewhere in this Annual Report on Form 10-K, or in other SEC filings, describe risks that could materially and adversely affect our business, financial condition and results of operations and the trading price of our securities. These risks are not the only risks that we face. Our business, financial condition and results of operations could also be materially affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and any documents incorporated by reference may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements contained in this Annual Report on Form 10-K and any documents incorporated by reference are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as “estimates,” “anticipates,” “projects,” “plans,” “expects,” “intends,” “believes,” “seeks,” “could,” “should,” “may,” “will,” “strategy,” “objective,” “assume,” or the negative versions thereof, and similar expressions and by the context in which they are used. Such forward-looking statements are based upon our current expectations and speak only as of the date made. Such statements are highly dependent upon a variety of risks, uncertainties and other important factors that could cause actual results to differ materially from those reflected in such forward-looking statements. Such factors include, but are not limited to, uncertainties caused by adverse economic conditions and their impact on our customers’ businesses and workforce levels, uncertainties regarding our ability to consummate and successfully integrate acquired businesses, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, any adverse outcome of pending or future contingencies or claims, our ability to compete successfully without any significant degradation in our margin rates, seasonal and quarterly fluctuations in business levels, our ability to preserve positive labor relationships and avoid becoming the target of corporate labor unionization campaigns that could disrupt our business, the effect of currency fluctuations on our results of operations and financial condition, our dependence on third parties to supply us with raw materials, any loss of key management or other personnel, increased costs as a result of any changes in federal or state laws, rules and regulations or governmental interpretation of such laws, rules and regulations, uncertainties regarding the price levels of natural gas, electricity, fuel and labor, the negative effect on our business from sharply depressed oil and natural gas prices, the continuing increase in domestic healthcare costs, our ability to retain and grow our customer base, demand and prices for our products and services, fluctuations in our Specialty Garments business, instability in Mexico and Nicaragua where our principal garment manufacturing plants are located, our ability to properly and efficiently design, construct, implement and operate a new customer relationship management (“CRM”) computer system, interruptions or failures of our information technology systems, including as a result of cyber-attacks, additional professional and internal costs necessary for compliance with any changes in Securities and Exchange Commission, New York Stock Exchange and accounting rules, strikes and unemployment levels, our efforts to evaluate and potentially reduce internal costs, economic and other developments associated with the war on terrorism and its impact on the economy, the impact of foreign trade policies and tariffs or other impositions on imported goods on our business, results of operations and financial condition, general economic conditions, our ability to successfully implement our business strategies and processes, including our capital allocation strategies and other factors described in this “Item 1A. Risk Factors” and elsewhere in this Annual Report on Form 10-K. We undertake no obligation to update any forward-looking statements to reflect events or circumstances arising after the date on which they are made.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We face intense competition within our industry, which may adversely affect our results of operations and financial condition.

The uniform rental and sales industry is highly competitive. The principal methods of competition in the industry are quality of products, quality of service and price. Our leading competitors include Cintas Corporation and Aramark Corporation. The remainder of the market, however, is divided among more than 600 smaller businesses, many of which serve one or a limited number of markets or geographic service areas. In addition to our traditional rental competitors, we may increasingly compete in the future with businesses that focus on selling uniforms and other related items, including single-use disposable garments for use in the nuclear industry. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could have a material effect on our results of operations and financial condition. We also compete with industry competitors for acquisitions, which has the effect of increasing the price for acquisitions and reducing the number of acquisition candidates available to us. If we pay higher prices for businesses we acquire, our returns on investment and profitability may be reduced.

Adverse economic and business conditions or geopolitical events may affect our customer base and negatively impact our sales and operating results.

We supply uniform services to many industries that have been in the past, and may be in the future, subject to adverse economic and business conditions resulting in shifting employment levels, workforce reductions, changes in worker productivity, uncertainty regarding the impacts of rehiring and shifts to offshore manufacturing. In addition, geopolitical conflicts, calamities or other events may disrupt domestic and global business and financial markets and conditions. Any conditions or events that adversely affect our current customers or sales prospects may cause such customers or prospects to restrict expenditures, reduce workforces or even to cease to conduct their businesses. Any of these circumstances would have the effect of reducing the number of employees utilizing our uniform services, which adversely affects our sales and results of operations.

The expenses we incur to comply with environmental regulations, including costs associated with potential environmental remediation, may prove to be significant and could have a material adverse effect on our results of operations and financial condition.

We, like our competitors, are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. We are attentive to the environmental concerns surrounding the disposal of these materials and have, through the years, taken measures to avoid their improper disposal. Over the years, we have settled, or contributed to the settlement of, actions or claims brought against us relating to the disposal of hazardous materials and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances. There can be no assurance that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third-party actions such as tort suits.

We continue to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina.

We have accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. We have potential exposure related to a parcel of land (the "Central Area") related to the Woburn, Massachusetts site cited above. Currently, the consent decree for the Woburn site does not define or require any remediation work in the Central Area. The United States Environmental Protection Agency (the "EPA") has provided us and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. We, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA's comments remain to be resolved. We have accrued costs to perform certain work responsive to the EPA's comments. Additionally, we have implemented mitigation measures and continue to monitor environmental conditions at the Somerville, Massachusetts site. We have received a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that we made in 2009 for a portion of the site. We are in the process of responding to that notice. We have received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station is part of an ongoing extension of the transit system. We have reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change.

On a quarterly basis, we assess each of our environmental sites to determine whether the costs of investigation and remediation of environmental conditions are probable and can be reasonably estimated as well as the adequacy of our accruals with respect to such costs. There can be no assurance that our accruals with respect to our environmental sites will be sufficient or that the costs of remediation and investigation will not substantially exceed our accruals as new facts, circumstances or estimates arise.

Our nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission, or in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. We also have nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country's applicable federal agency. In the past, scrutiny and regulation of nuclear facilities and related services have resulted in the suspension of operations at certain nuclear facilities served by us or disruptions in our ability to service such facilities. There can be no assurance that such scrutiny and regulation will not lead to the shut-down of such facilities or otherwise cause material disruptions in our garment decontamination business.

In addition, our nuclear garment decontamination operations are subject to asset retirement obligations related to the decommissioning of our nuclear laundry facilities. We recognize as a liability the present value of the estimated future costs to decommission these facilities. The estimated liability is based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. No assurances can be given that these accruals will be sufficient or that the costs of such decommissioning will not substantially exceed such accruals, as our facts, circumstances or estimates change, including changes in the Company's estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates.

In addition to contingencies and claims relating to environmental compliance matters, we may from time to time be subject to legal proceedings and claims related to our business operations which may adversely affect our financial condition and operating results.

In addition to contingencies and claims relating to environmental compliance matters, we are subject from time to time to legal proceedings, claims and disputes arising from the conduct of our business operations, including personal injury claims, customer contract matters and employment claims. Certain of these claims are typically not covered by our available insurance. In addition, claims occasionally result in significant investigation and litigation expenses and, if successful, may result in material losses to us. Certain claims may also result in significant adverse publicity against us. As a consequence, successful claims against us not covered by our available insurance coverage, or the impact of adverse publicity against us, could have a material adverse effect on our business, financial condition and results of operation.

Our failure to implement successfully our acquisition strategy and to grow our business could adversely affect our ability to increase our revenues and could negatively impact our profitability.

As part of our growth strategy, we intend to continue to actively pursue additional acquisition opportunities. However, as discussed above, we compete with others within our industry for suitable acquisition candidates. This competition may increase the price for acquisitions and reduce the number of acquisition candidates available to us. As a result, our ability to acquire businesses in the future, and to acquire such businesses on favorable terms, may be limited. Even if we are able to acquire businesses on favorable terms, managing growth through acquisition is a difficult process that includes integration and training of personnel, combining plant and operating procedures and additional matters related to the integration of acquired businesses within our existing organization. Unanticipated issues related to integration may result in additional expense or in disruption to our operations, either of which could negatively impact our ability to achieve anticipated benefits. While we believe we will be able to fully integrate acquired businesses, we can give no assurance that we will be successful in this regard.

Growth of our business will likely require us to increase our work force, the scope of our operating and financial systems and the geographic area of our operations. We believe this growth will increase our operating complexity and the level of responsibility for both existing and new management personnel. Managing and sustaining our growth and expansion may require substantial enhancements to our operational and financial systems and controls, as well as additional administrative, operational and financial resources. There can be no assurance that we will be able to manage our expanding operations successfully, that any acquired business will perform as we expect, or that we will be able to maintain or accelerate our growth, and any failure to do so could have an adverse effect on our results of operations and financial condition.

In order to finance such acquisitions, we may need to obtain additional funds either through public or private financings, including bank and other secured and unsecured borrowings and the issuance of debt or equity securities. There can be no assurance that such financings would be available to us on reasonable terms or that any future issuances of securities in connection with acquisitions will not be dilutive to our shareholders.

If we are unable to preserve positive labor relationships or become the target of corporate labor unionization campaigns, the resulting labor unrest could disrupt our business by impairing our ability to produce and deliver our products.

As of August 31, 2019, we employ approximately 14,000 persons and approximately 1% of our United States employees are represented by a union pursuant to a collective bargaining agreement. Competitors within our industry have been the target of corporate unionization campaigns by multiple labor unions. While our management believes that our employee relations are good, we cannot assure you that we will not become the target of campaigns similar to those faced by our competitors. The potential for unionization could increase if the United States Congress passes federal "card check" legislation in the future. If we do encounter pressure from any labor unions in connection with our acquisitions of other businesses, any resulting labor unrest could disrupt our business by impairing our ability to produce and deliver our products. In addition, significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

We may incur unexpected cost increases due to rising healthcare costs, the Affordable Care Act and other labor costs.

The cost of healthcare that we provide to our employees has grown over the last few years at a rate in excess of our revenue growth and, as a result, has negatively impacted our operating results. Moreover, it is generally expected that healthcare costs in the United States will increase over the coming years at rates in excess of inflation. As a result of these factors, and depending on the effect of any modifications we have made and may make in the future to our employee healthcare plans and enrollment levels in those plans, including as a result of the Affordable Care Act or any future legislation or regulation affecting the healthcare industry, we expect that our future operating results will continue to be further adversely impacted by increasing healthcare costs.

Federal, state and municipal governments are mandating increases to minimum wage and other employee benefits. In addition, we face wage pressure as the result of a low unemployment environment. We have raised, and expect to continue to raise, our wage rates and benefits to reflect these changes, which has the effect of increasing our labor costs, which in turn adversely affects our results of operation and financial condition. Our failure to comply with these regulatory requirements would expose us to applicable penalties and increase the likelihood that we would be subject to unionization campaigns. Further mandates would require additional increases to our labor costs and adversely affect our operating margin.

Our failure to retain our current customers, renew our existing customer contracts and enter into customer contracts with new customers could adversely affect our business, results of operations and financial condition.

Our success depends on our ability to retain our current customers, renew our existing customer contracts and obtain new customers. Our ability to do so generally depends on a variety of factors, including the quality, price and responsiveness of our services, as well as our ability to market these services effectively and to differentiate ourselves from our competitors. In addition, renewal rates and our ability to obtain new customers are generally adversely affected by difficult economic and business conditions. We cannot assure you that we will be able to obtain new customers, renew existing customer contracts at the same or higher rates or that our current customers will not turn to competitors, cease operations or terminate contracts with us. Our failure to renew a significant number of our existing contracts would have an adverse effect on our results of operations and financial condition and failure to obtain new customers could have an adverse effect on our growth and results of operations.

Increases in fuel and energy costs could adversely affect our operating costs.

The price of fuel and energy needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, limits on refining capacities, natural disasters and environmental concerns. Any increase in fuel and energy costs could adversely affect our operating costs.

As a result of our significant presence in energy producing regions, a prolonged drop in energy prices has in the past, and may in the future, negatively impact our financial results.

We have a substantial number of plants and conduct a significant portion of our business in energy producing regions in the U.S. and Canada. In general, we are relatively more dependent on business in these regions than are many of our competitors. In the past, dramatic declines in energy prices adversely affected our customers in the energy producing industry, which had a corresponding adverse effect on our customers in the businesses which service or supply the energy producing industry as well as other customers that benefitted from the success of our customers in the energy producing industry. Such conditions caused in the past, and may cause in the future, elevated headcount reductions at our customers and reduced margins for these accounts. This in turn caused in the past and may cause in the future an adverse impact on our organic growth. Recent trends indicate that increased energy prices have resulted in stabilized or improved wearer levels at existing customers in our North American energy-dependent markets. Our operating results are also directly impacted by the costs of the gasoline used to fuel our vehicles and the natural gas used to operate our plants. While it is difficult to quantify the positive and negative impacts on our future financial results from changes in energy prices, in general, we believe that significant decreases in oil and natural gas prices would have an overall negative impact on our results due to cutbacks by our customers both in, and dependent upon, the oil and natural gas industries, which would outweigh the benefits in our operating costs from lower energy costs.

Fluctuations in the nuclear portion of our Specialty Garments segment, including the loss of key customers or a significant reduction in our business derived from key customers, could disproportionately impact our revenue and net income and create volatility in the price of our Common Stock.

Our nuclear decontamination business is affected by shut-downs, outages and clean-ups of the nuclear facilities we service. We are not able to control or predict with certainty when such shut-downs, outages and clean-ups will occur. In addition, our nuclear decontamination business tends to generate more revenue in the first and third fiscal quarters, which is when nuclear power plants typically schedule their plant outages and refuelings and thereby increase nuclear garment utilization. Moreover, a significant percentage of this segment's revenues are generated from a limited number of nuclear power plant operator customers. This concentration subjects this business to significant risks and may result in greater volatility in this segment's results of operations. Fluctuations in our nuclear decontamination business, including the loss of key customers of our Specialty Garments business, or a significant reduction in our business derived from such key customers, could materially adversely affect our results of operations and financial condition.

Our international business results are influenced by currency fluctuations and other risks that could have an adverse effect on our results of operations and financial condition.

A portion of our sales is derived from international markets. Revenue denominated in currencies other than the U.S. dollar represented approximately 7.0%, 8.1% and 7.4% of total consolidated revenues for fiscal 2019, the fiscal year ended August 25, 2018 ("fiscal 2018") and the fiscal year ended August 26, 2017 ("fiscal 2017"), respectively. The operating results of our international subsidiaries are translated into U.S. dollars and such results are affected by movements in foreign currencies relative to the U.S. dollar. The strength of the U.S. dollar has generally increased recently as compared to other currencies, which has had, and may continue to have, an adverse effect on our operating results as reported in U.S. dollars. In addition, a weaker Canadian dollar increases the costs to our Canadian operations of merchandise and other operational inputs that are sourced from outside Canada, which has the effect of reducing the operating margins of our Canadian business if we are unable to recover these additional costs through price adjustments with our Canadian customers. Our international operations are also subject to other risks, including the requirement to comply with changing and conflicting national and local regulatory requirements; potential difficulties in staffing and labor disputes; managing and obtaining support and distribution for local operations; credit risk or financial condition of local customers; potential imposition of restrictions on investments; potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; foreign exchange controls; and local political and social conditions. In addition, U.S. and foreign trade policies and tariffs and other impositions on imported goods may have a negative impact on our business. There can be no assurance that the foregoing factors will not have an adverse effect on our international operations or on our consolidated financial condition and results of operations.

We own and operate manufacturing facilities in Mexico. Violence, crime and instability in Mexico has had, and may continue to have, an adverse effect on our operations, including the hijacking of our trucks and the implementation of security measures to protect our employees. We are not insured against such criminal attacks and there can be no assurance that losses that could result from an attack on our trucks or our personnel would not have a material adverse effect on our business, results of operations and financial condition. Operations in developing nations present several additional risks, including greater fluctuation in currencies relative to the U.S. dollar, economic and governmental instability, civil disturbances, volatility in gross domestic production, Foreign Corrupt Practice Act compliance issues and nationalization and expropriation of private assets, which could have a material adverse effect on our business, results of operations and financial condition.

Adverse global financial and economic conditions may result in impairment of our goodwill and intangibles.

Our market capitalization, from time to time, has experienced volatility due in part to turbulent economic conditions and disruption in the global equity and credit markets. Under accounting principles generally accepted in the United States ("U.S. GAAP"), we may be required to record an impairment charge if changes in circumstances or events indicate that the carrying values of our goodwill and intangible assets exceed their fair value and are not recoverable. Any significant and other-than-temporary decrease in our market capitalization could be an indicator, when considered together with other factors, that the carrying values of our goodwill and intangible assets exceed their fair value, which may result in our recording an impairment charge. We are unable to predict economic trends, but we continue to monitor the impact of changes in economic and financial conditions on our operations and on the carrying value of our goodwill and intangible assets. Should the value of our acquired goodwill or one or more of our acquired intangibles become impaired, our consolidated earnings and net worth may be materially adversely affected.

Our failure to properly and efficiently design, construct, implement and operate a new customer relationship management (CRM) computer system could materially disrupt our operations, adversely impact the servicing of our customers and have a material adverse effect on our financial performance.

In the fourth quarter of fiscal 2018, we initiated a multiyear CRM project to further develop, implement and deploy a third-party application we licensed. This new solution is intended to improve functionality, capability and information flow as well as increase automation in servicing our customers. The new system is also intended to improve functionality and information flow and increase automation in servicing our customers.

Our previous CRM systems project, which we terminated in 2018, did not result in the successful implementation of a CRM system. The failure to properly, efficiently and economically complete and operate a new system on a timely basis or at all could materially disrupt our operations, adversely impact the servicing of our customers and have a material adverse effect on our financial results.

If our information technology systems suffer interruptions or failures, including as a result of cyber-attacks, our business operations could be disrupted.

Our information technology systems serve an important role in the efficient operation of our business. The failure of these information technology systems to perform as we anticipate could disrupt our business and negatively impact our results of operations. In addition, our information technology systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. While we have contingency plans in place to prevent or mitigate the impact of these events, if such events were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations and service our customers, and we may be required to make a significant investment to fix or replace our information technology systems, each of which may have a material adverse effect on our business and financial results. In addition, if customer or our proprietary information is compromised by a security breach or cyber-attack, it could have a material adverse effect on our business. We are subject to numerous laws and regulations in the United States and internationally designed to protect the information of clients, customers, employees, and other third parties that we collect and maintain. These laws and regulations are increasing in complexity and number. If we fail to comply with such laws or regulations, it could have an adverse effect on our business.

Failure to comply with state and federal regulations to which we are subject may result in penalties or costs that could have a material adverse effect on our business.

Our business is subject to various state and federal regulations, including employment laws and regulations, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, healthcare insurance mandates, data protection requirements and other laws and regulations. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with the laws and regulations to which we are subject. Any appreciable increase in the statutory minimum wage rate, income or overtime pay, costs of complying with healthcare insurance mandates, changes in the requirements under the Occupational Safety and Health Act of 1970, as amended, changes in environmental compliance requirements, or changes to immigration laws and citizenship requirements would likely result in an increase in our labor costs and/or contribute to a shortage of available labor and such cost increase or labor shortage, or the penalties for failing to comply with such statutory minimums or regulations, could have an adverse effect on our business, liquidity and results of operations. The impact of any new laws and regulations cannot be predicted. Any failure to comply with applicable laws and regulations could result in substantial fines by government authorities, payment of damages to private litigants or possible revocation of our authority to conduct our operations, which could adversely affect our ability to service customers and our results of operations.

Our business may be subject to seasonal and quarterly fluctuations.

Historically, our revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. In addition, our operating results historically have been seasonally lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. We incur various costs in integrating or establishing newly acquired businesses or start-up operations, and the profitability of a new location is generally expected to be lower in the initial period of its operation than in subsequent periods. Start-up operations in particular lack the support of an existing customer base and require a significantly longer period to develop sales opportunities and meet targeted operating results.

These factors, among others, may cause our results of operations in some future quarters to be below the expectations of securities analysts and investors, which could have an adverse effect on the market price of our Common Stock.

Loss of our key management or other personnel could adversely impact our business.

Our success is largely dependent on the skills, experience and efforts of our senior management, including our President and Chief Executive Officer, and certain other key personnel. If, for any reason, one or more senior executives or key personnel were not to remain active in our Company, our results of operations could be adversely affected. Our future success also depends upon our ability to attract and retain key employees. There is competition in the market for the services of such qualified personnel and hourly workers and our failure to attract and retain such personnel or workers could adversely affect our results of operations.

We depend on third parties to supply us with raw materials and our results of operations could be adversely affected if we are unable to obtain adequate raw materials in a timely manner.

We manufactured approximately 67% of all garments which we placed in service during fiscal 2019. These were primarily work pants and shirts manufactured at three of our plants located in San Luis Potosi, Mexico, one plant located in Managua, Nicaragua, as well as at subcontract manufacturers that we utilize to supplement our manufacturing capacity in periods of high demand. The balance of the garments used in our programs are purchased from a variety of industry suppliers. While we currently acquire the raw materials with which we produce our garments from a limited number of suppliers, we believe that such materials are readily available from other sources. To date, we have experienced no significant difficulty in obtaining any of our raw materials or supplies. However, if we were to experience difficulty obtaining any of our raw materials from such suppliers and were unable to obtain new materials or supplies from other industry suppliers, or if the cost of obtaining such materials or supplies were to increase, it could adversely affect our results of operations.

Unexpected events could disrupt our operations and adversely affect our operating results.

Unexpected events, including, without limitation, fires at facilities, natural disasters, such as hurricanes, earthquakes and tornados, public health emergencies, war or terrorist activities, unplanned utility outages, supply disruptions, failure of equipment or information systems, temporary or long-term disruption of our computer systems, or changes in laws and/or regulations impacting our business, could adversely affect our operating results. These events could result in disruption of customer service, physical damage to one or more key operating facilities, the temporary closure of one or more key operating facilities or the temporary disruption of information systems. In addition, the destruction or temporary loss of our distribution facility in Owensboro, Kentucky would have a material adverse effect on our operations and financial results.

Changes in or new interpretations of the governmental regulatory framework may affect our contract terms and may reduce our sales or profits.

A portion of our total consolidated revenues is derived from business with U.S. federal, state and local governments and agencies. Changes or new interpretations in, or changes in the enforcement of, the statutory or regulatory framework applicable to services provided under governmental contracts or bidding procedures could result in fewer new contracts or contract renewals, modifications to the methods we apply to price government contracts or in contract terms of shorter duration than we have historically experienced, any of which could result in lower sales or profits than we have historically achieved, which could have an adverse effect on our results of operations.

The price of our Common Stock may be highly volatile, which could result in significant price declines.

The price of our Common Stock may experience significant volatility. Such volatility may be caused by fluctuations in our operating results, changes in earnings estimated by investment analysts, the number of shares of our Common Stock traded each day, the degree of success we achieve in implementing our business and growth strategies, changes in business or regulatory conditions affecting us, our customers or our competitors and other factors. In addition, the New York Stock Exchange historically has experienced extreme price and volume fluctuations that often have been unrelated to, or disproportionate to, the operating performance of its listed companies. These fluctuations, as well as general economic, political and market conditions, may adversely affect the market price of our Common Stock.

We are controlled by our principal shareholders, and our other shareholders may be unable to affect the outcome of shareholder voting.

As of October 17, 2019, to the Company's knowledge, the members of the Croatti family owned, directly or indirectly, in the aggregate approximately 184,959 shares of our Common Stock and approximately 3,643,009 shares of our Class B Common Stock, which represents approximately 20.2% of the aggregate number of outstanding shares of our Common Stock and Class B Common Stock, but approximately 70.8% of the combined voting power of the outstanding shares of our Common Stock and Class B Common Stock. As a result, the members of the Croatti family, acting with other family members, could effectively control most matters requiring approval by our shareholders, including the election of a majority of the directors. While historically the members of the Croatti family have individually voted their respective shares of Class B Common Stock in the same manner, there is no contractual understanding requiring this and there is no assurance that the family members will continue to individually vote their shares of Class B Common Stock in the same manner. This voting control by the members of the Croatti family, together with certain provisions of our by-laws and articles of organization, could have the effect of delaying, deferring or preventing a change in control of our Company that would otherwise be beneficial to our public shareholders.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal controls over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

If we are unable to accurately predict our future tax liabilities or become subject to increased levels of taxation or our tax contingencies are unfavorably resolved, our results of operations and financial condition could be adversely affected.

Tax legislation commonly known as the "Tax Cuts and Jobs Act" (the "Act"), signed into law on December 22, 2017, made significant changes to U.S. federal income tax laws, including a reduction of the corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%. Certain provisions of the Act include, without limitation, new taxes on certain foreign sourced earnings and limitations on the deductibility of interest expense and executive compensation. The Act also imposed new limitations on the deduction of net operating losses and modified or repealed other business deductions and credits. The overall impact of the Act on our business and financial condition remains uncertain and may not become evident for some time. The interpretations of many provisions of the Act remain unclear. We cannot predict when or to what extent any U.S. federal tax laws, regulations, interpretations, or rulings clarifying the Act will be issued or the impact of any such guidance on the Company. Any such tax laws, regulations, interpretations, or rulings could have an adverse effect on our financial condition and results of operations. Certain key provisions of the Act that could impact us include, but are not limited to, international tax provisions that affect the overall tax rate applicable to income earned from non-U.S. operations and limitations on the deductibility of executive compensation. Other changes in tax laws or regulations in the jurisdictions in which we do business, including the United States or various states, could further increase our effective tax rate or impose new restrictions, costs or prohibitions on our current practices, reduce our net income and adversely affect our cash flows. During the second quarter of fiscal 2019, the Company completed its accounting for the tax effects of enactment of the Act as required by the SEC's Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"). There were no changes from the provisional calculation as recorded through August 25, 2018 to the final calculation.

In addition, we are also subject to tax audits in the United States and other jurisdictions in which we do business, including, but not limited to, various states, as well as Canada and the Canadian provinces of Alberta, British Columbia, Ontario, Saskatchewan, Quebec and New Brunswick. These audits can be complicated and can require several years to resolve. The final resolution of any such tax audit could result in an increase in our income tax liabilities. Although we believe that our current tax provisions are reasonable and appropriate, there can be no assurance that these items will be settled for the amounts accrued, that additional tax exposures will not be identified in the future or that additional tax reserves will not be necessary for any such exposures. Any increase in the amount of taxes we owe as a result of challenges to our tax filing positions could result in a material adverse effect on our business, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of August 31, 2019, we owned or leased approximately 270 facilities containing an aggregate of approximately 7.7 million square feet located in the United States, Canada, Mexico, Europe and Nicaragua. We owned 132 of these facilities, containing approximately 5.8 million square feet. These facilities include our 360,000 square foot Owensboro, Kentucky distribution center and almost all of our industrial laundry processing plants. We believe our industrial laundry facilities are among the most modern in the industry.

We own substantially all of the machinery and equipment used in our operations. We believe that our facilities and our production, cleaning and decontamination equipment have been well maintained and are adequate for our present needs. We also own a fleet of approximately 3,900 delivery vans, trucks and other vehicles.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to legal proceedings and claims arising from the current conduct of our business operations, including personal injury, customer contract, employment claims and environmental matters as described in our Consolidated Financial Statements. We maintain insurance coverage providing indemnification against many of such claims, and we do not expect that we will sustain any material loss as a result thereof.

In addition, we, like our competitors, are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. Over the years, we have settled, or contributed to the settlement of, actions or claims brought against us relating to the disposal of hazardous materials and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances. There can be no assurance that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon us under such laws or expose us to third-party actions such as tort suits. Refer to Note 11, "Commitments and Contingencies", of our Consolidated Financial Statements for further discussion.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK INFORMATION

Our Common Stock trades on the New York Stock Exchange under the symbol "UNF", while our Class B Common Stock is not publicly traded.

The approximate number of shareholders of record of our Common Stock and Class B Common Stock as of October 25, 2019 was 46 and 32, respectively. We believe that the number of beneficial owners of our Common Stock is substantially greater than the number of record holders because a large portion of our Common Stock is held of record in broker "street names".

The following table provides information about repurchases of our Common Stock during the fourth quarter of fiscal 2019:

	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs(1)
May 26, 2019 - June 29, 2019	22,400	$ 163.94	22,400	$ 75,373,860
June 30, 2019 - July 27, 2019	9,250	$ 189.55	9,250	$ 73,620,564
July 28, 2019 - August 31, 2019	21,000	$ 196.96	21,000	$ 69,484,398
	52,650		52,650	

(1) On January 2, 2019, our Board of Directors approved a share repurchase program authorizing the Company to repurchase from time to time up to $100.0 million of our outstanding shares of common stock. Repurchases made under the program, if any, will be made in either the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will depend on a variety of factors, including economic and market conditions, the Company stock price, corporate liquidity requirements and priorities, applicable legal requirements and other factors. The share repurchase program will be funded using our available cash or capacity under our Credit Agreement (as defined below) and may be suspended or discontinued at any time. In the year ended August 31, 2019, we repurchased 197,150 shares for an average price per share of $154.78.

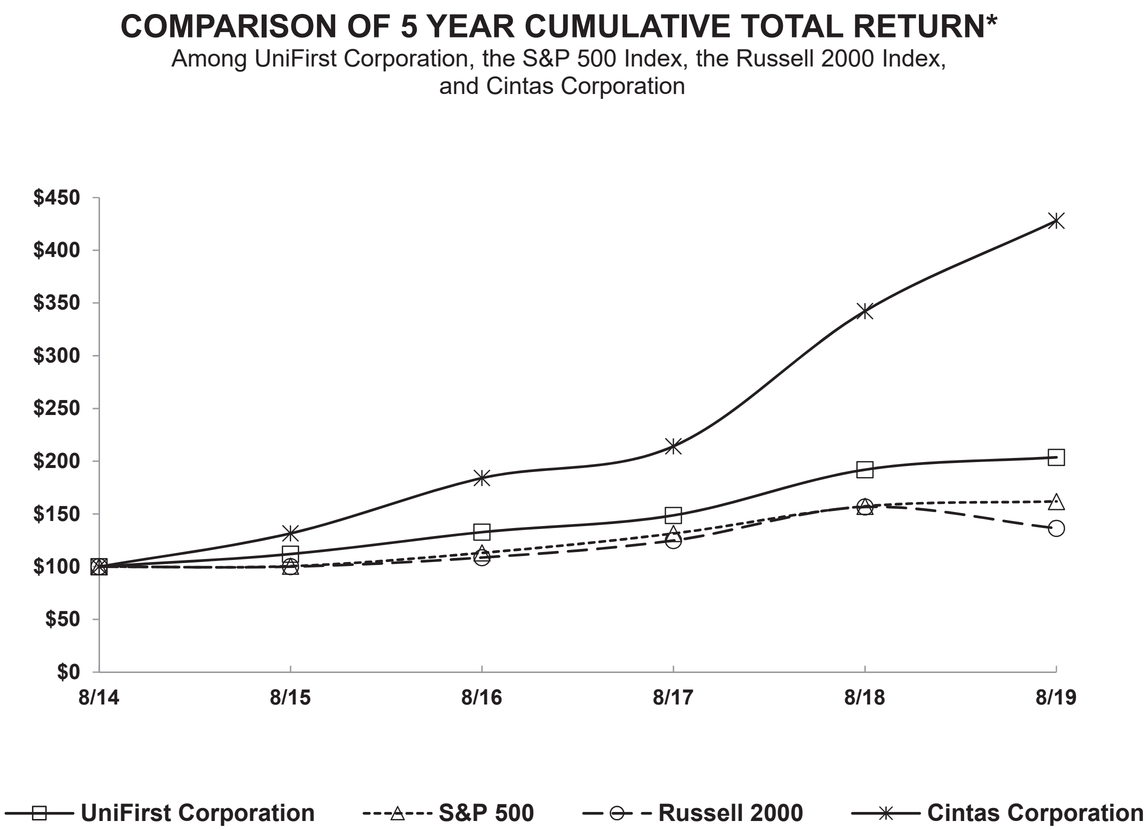
The following table sets forth information concerning our equity compensation plans as of August 31, 2019:

	Equity Compensation Plan Information		
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities referenced in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	598,783	$ 122.03	364,060
Equity compensation plans not approved by security holders	—	N/A	—
Total	598,783	$ 122.03	364,060

(1) Includes shares of Common Stock issuable upon vesting of restricted stock units.
(2) Restricted stock units are not included in the weighted-average exercise price calculation because there is no exercise price associated with restricted stock units.

Stock Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our Common Stock, based on the market price of our Common Stock, with the cumulative total shareholder return of a customized peer group consisting of one company, Cintas Corporation, the Russell 2000 index and the Standard & Poor's 500 Stock Index, in each case assuming reinvestment of dividends. The calculation of cumulative total shareholder return assumes a $100 investment in our Common Stock, Cintas Corporation, the Russel 2000 Index and the S&P 500 Stock Index on August 31, 2014.



*$100 invested on 8/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending August 31.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8.

The selected consolidated balance sheet data set forth below as of August 31, 2019 and August 25, 2018 and the selected consolidated income statement data for each of the three years in the period ended August 31, 2019 are derived from our audited Consolidated Financial Statements included in this Annual Report on Form 10-K. All other selected consolidated financial data set forth below are derived from our audited financial statements not included in this Annual Report on Form 10-K. Current accounting guidance requires the income per share for each class of common stock to be calculated assuming 100% of our earnings are distributed as dividends to each class of common stock based on their respective dividend rights. Our Common Stock has a 25% dividend preference to our Class B Common Stock. The Class B Common Stock, which has ten votes per share as opposed to one vote per share for the Common Stock, is not freely transferable but may be converted at any time on a one-for-one basis into Common Stock at the option of the holder of the Class B Common Stock.

Five Year Financial Summary
UniFirst Corporation and Subsidiaries

Fiscal Year Ended August (In thousands, except per share data)	2019 (1)	2018 (2)	2017 (3)	2016 (4)	2015
Selected Balance Sheet Data:					
Total assets	$2,047,320	$1,843,386	$1,819,128	$1,702,007	$1,533,237
Notes payable and long-term debt	$ —	$ —	$ —	$ —	$ 1,385
Shareholders' equity	$1,641,230	$1,464,967	$1,453,192	$1,364,781	$1,242,208
Selected Income Statement Data:					
Revenues	$1,809,376	$1,696,489	$1,590,958	$1,468,046	$1,456,605
Depreciation and amortization	$ 103,333	$ 96,662	$ 88,879	$ 81,612	$ 77,113
Operating income	$ 232,008	$ 182,376	$ 110,283	$ 201,160	$ 200,384
Other income, net	$ (5,916)	$ (4,870)	$ (4,840)	$ (2,211)	$ (884)
Provision for income taxes	$ 58,790	$ 23,351	$ 44,927	$ 78,345	$ 76,969
Net income	$ 179,134	$ 163,895	$ 70,196	$ 125,026	$ 124,299
Income per share:					
Basic—Common stock	$ 9.77	$ 8.66	$ 3.63	$ 6.51	$ 6.50
Basic—Class B Common Stock	$ 7.81	$ 6.91	$ 2.91	$ 5.21	$ 5.20
Diluted—Common stock	$ 9.33	$ 8.21	$ 3.44	$ 6.17	$ 6.15
Dividends per share:					
Common stock	$ 0.45	$ 0.30	$ 0.15	$ 0.15	$ 0.15
Class B Common Stock	$ 0.36	$ 0.24	$ 0.12	$ 0.12	$ 0.12

(1) During fiscal 2019, we purchased 0.2 million shares pursuant to a share repurchase program authorized by the Company's Board of Directors. This benefitted the Company's diluted income per share by $0.05 in fiscal 2019.

During fiscal 2017, we recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the CRM system that was being developed would be completed and placed into service. During fiscal 2019, we entered into a settlement agreement with our lead contractor for the version of the CRM system with respect to which we recorded the impairment charge. As part of the settlement agreement, we recorded a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes our receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. We also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement. This gain, net of tax, benefitted the Company's diluted income per share by $0.81 in fiscal 2019.

(2) Our fiscal 2018 results include the impact of the Tax Cuts and Jobs Act enacted on December 22, 2017, which resulted in a benefit to the Company's provision for income taxes of $20.1 million ($1.01 per diluted share) from the remeasurement of deferred tax balances and the one-time transition tax. Our fiscal 2018 results also included a $7.2 million pre-tax one-time cash bonus to our employees to share with them the benefits received from recent U.S. tax reform. Such bonus expense, net of tax, reduced the Company's diluted earnings per share by $0.25 in fiscal 2018.

    On March 27, 2018, we repurchased 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00, which benefited the Company's diluted income per share by $0.20 in fiscal 2018.

(3) Our fiscal 2017 results included an impairment charge of capitalized costs as part of our ongoing CRM systems project totaling $55.8 million before tax. This loss, net of tax reduced the Company's diluted earnings per share by $1.68 in fiscal 2017. Our fiscal 2017 results also include a $5.4 million pre-tax compensation expense as a result of the accelerated vesting of certain shares of restricted stock upon the death of the Company's former Chief Executive Officer, Ronald Croatti, during the third quarter of fiscal 2017. This expense, net of tax, reduced the Company's diluted earnings per share by $0.16.

(4) In the fourth fiscal quarter of 2016, operating results benefited from a settlement of environmental litigation that resulted in the Company recording a $15.9 million pre-tax gain. This gain, net of tax, increased the Company's diluted earnings per share by $0.48.

The Company's fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2019 consists of 53 weeks and fiscal 2018, 2017, 2016 and 2015 consisted of 52 weeks each.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

UniFirst Corporation, together with its subsidiaries, hereunder referred to as “we”, “our”, the “Company”, or “UniFirst”, is one of the largest providers of workplace uniforms and protective work wear clothing in the United States. We design, manufacture, personalize, rent, clean, deliver, and sell a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. We also rent and sell industrial wiping products, floor mats, facility service products and other non-garment items, and provide restroom and cleaning supplies and first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies.

We serve businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. We also provide our customers with restroom and cleaning supplies, including air fresheners, paper products and hand soaps.

At certain specialized facilities, we also decontaminate and clean work clothes and other items that may have been exposed to radioactive materials and service special cleanroom protective wear and facilities. Typical customers for these specialized services include government agencies, research and development laboratories, high technology companies and utilities operating nuclear reactors.

We continue to expand into additional geographic markets through acquisitions and organic growth. We currently service over 300,000 customer locations in the United States, Canada and Europe from over 260 customer service, distribution and manufacturing facilities.

U.S. GAAP establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim financial reports issued to shareholders. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. Our chief operating decision-maker is our Chief Executive Officer. We have six operating segments based on the information reviewed by our Chief Executive Officer: U.S. Rental and Cleaning, Canadian Rental and Cleaning, Manufacturing (“MFG”), Specialty Garments Rental and Cleaning (“Specialty Garments”), First Aid and Corporate. The U.S. Rental and Cleaning and Canadian Rental and Cleaning operating segments have been combined to form the U.S. and Canadian Rental and Cleaning reporting segment. Refer to Note 15, “Segment Reporting”, of our Consolidated Financial Statements for our disclosure of segment information.

The U.S. and Canadian Rental and Cleaning reporting segment purchases, rents, cleans, delivers and sells, uniforms and protective clothing and non-garment items in the United States and Canada. The operations of the U.S. and Canadian Rental and Cleaning reporting segment are referred to by us as our ‘industrial laundry operations’ and we refer to the locations related to this reporting segment as our ‘industrial laundries’.

The MFG operating segment designs and manufactures uniforms and non-garment items primarily for the purpose of providing these goods to the U.S. and Canadian Rental and Cleaning reporting segment. The amounts reflected as revenues of MFG are primarily generated when goods are shipped from our manufacturing facilities, or subcontract manufacturers, to our other locations. These intercompany revenues are recorded at a transfer price which is typically in excess of the actual manufacturing cost. Products are carried in inventory and subsequently placed in service and amortized at this transfer price. On a consolidated basis, intercompany MFG revenues and MFG income are eliminated and the carrying value of inventories and rental merchandise in service is reduced to the manufacturing cost. Income before income taxes from MFG, net of the intercompany MFG elimination, offsets the merchandise amortization costs incurred by the U.S. and Canadian Rental and Cleaning reporting segment as the merchandise costs of this reporting segment are amortized and recognized based on inventories purchased from MFG at the transfer price which is above our manufacturing cost.

The Corporate operating segment consists of costs associated with our distribution center, sales and marketing, information systems, engineering, materials management, manufacturing planning, finance, budgeting, human resources, other general and administrative costs and interest expense. The revenues generated from the Corporate operating segment represent certain direct sales made directly from our distribution center. The products sold by this operating segment are the same products rented and sold by the U.S. and Canadian Rental and Cleaning reporting segment. In the segment disclosures in

Note 15, “Segment Reporting”, of our Consolidated Financial Statements, no assets or capital expenditures are presented for the Corporate operating segment as no assets are allocated to this operating segment in the information reviewed by our chief executive officer. However, depreciation and amortization expense related to certain assets are reflected in income from operations and income before income taxes for the Corporate operating segment. The assets that give rise to this depreciation and amortization are included in the total assets of the U.S. and Canadian Rental and Cleaning reporting segment as this is how they are tracked and reviewed by us.

We refer to our U.S. and Canadian Rental and Cleaning, MFG, and Corporate segments combined as our “Core Laundry Operations”.

The Specialty Garments operating segment purchases, rents, cleans, delivers and sells, specialty garments and non-garment items primarily for nuclear and cleanroom applications and provides cleanroom cleaning services at limited customer locations. The First Aid operating segment sells first aid cabinet services and other safety supplies as well as maintains wholesale distribution and pill packaging operations.

Approximately 89% of our revenues in fiscal 2019 were derived from U.S. and Canadian Rental and Cleaning and Corporate. A key driver of this business is the number of workers employed by our customers. Our revenues are directly impacted by fluctuations in these employment levels. Revenues from Specialty Garments, which accounted for approximately 7% of our 2019 revenues, increase during outages and refueling by nuclear power plants, as garment usage increases at these times. First Aid represented approximately 4% of our total revenue in fiscal 2019.

Critical Accounting Policies and Estimates

We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Use of Estimates

We prepare our financial statements in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These estimates are based on historical information, current trends, and information available from other sources. The actual results could differ from our estimates.

Revenue Recognition and Allowance for Doubtful Accounts

We recognize revenue from rental operations and related services in the period in which the services are provided. Direct sale revenue is recognized in the period in which the services are performed or when the product is shipped. Our judgment and estimates are used in determining the collectability of accounts receivable and evaluating the adequacy of the allowance for doubtful accounts as well as our sales credits reserve. We consider specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances as part of our evaluation in assessing the allowance for doubtful accounts. We consider our historical credit experience in assessing the sales credits reserve. Changes in our estimates are reflected in the period they become known. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Material changes in our estimates may result in significant differences in the amount and timing of bad debt expense recognition for any given period. Our revenues do not include taxes we collect from our customers and remit to governmental authorities.

Costs to Obtain a Contract

We defer commission expenses paid to employee-partners when the commissions are deemed to be incremental for obtaining the route servicing customer contract. The deferred commissions are amortized on a straight-line basis over the expected period of benefit, which is generally the estimated life of the customer relationship. We review the deferred commission balances for impairment on an ongoing basis. Deferred commissions are classified as current or noncurrent based on the timing of when we expect to recognize the expense. The current portion is included in prepaid expenses and other current assets and the non-current portion is included in other assets on our consolidated balance sheets. As of August 31, 2019, the current and non-current assets related to deferred commissions totaled $12.4 million and $50.3 million, respectively. During fiscal 2019, we recorded $11.8 million of amortization expense related to deferred commissions. This expense is classified in selling and administrative expenses on the consolidated statements of income.

Inventories and Rental Merchandise in Service

Our inventories are stated at the lower of cost or market value, net of any reserve for excess and obsolete inventory. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to our customers or used in our rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than the amount we projected, additional inventory write-downs may be required. We use the first-in, first-out method to value our inventories, which primarily consist of finished goods. Rental merchandise in service is being amortized on a straight-line basis over the estimated service lives of the merchandise, which range from six to thirty-six months. In establishing estimated lives for merchandise in service, our management considers historical experience and the intended use of the merchandise. Material differences may result in the amount and timing of operating profit for any period if we make significant changes to our estimates.

Goodwill, Intangibles and Other Long-Lived Assets

In accordance with U.S. GAAP, we do not amortize goodwill. Instead, we test goodwill at the reporting unit level for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value. Our evaluation considers changes in the operating environment, competitive information, market trends, operating performance and cash flow modeling.

We complete our annual goodwill impairment test as of the last day of the fourth quarter of each fiscal year and there have been no impairments of goodwill or other intangible assets in fiscal 2019, 2018 or 2017.

We cannot predict future economic conditions and their impact on the Company or the future market value of our stock. A decline in our market capitalization and/or deterioration in general economic conditions could negatively and materially impact our assumptions and assessment of the fair value of our business. If general economic conditions or our financial performance deteriorate, we may be required to record a goodwill impairment charge in the future which could have a material impact on our financial condition and results of operations.

Property, plant and equipment, and definite-lived intangible assets are depreciated or amortized over their useful lives. Useful lives are based on our estimates of the period that the assets will generate economic benefits. Long-lived assets are evaluated for impairment whenever events or circumstances indicate an asset may be impaired. There were no material impairments of long-lived assets in fiscal 2019 and 2018. During the fourth quarter of fiscal 2017, the Company recognized a non-cash impairment charge in its U.S. and Canadian Rental and Cleaning segment of $55.8 million on its ongoing CRM systems project, as the Company had determined that it was no longer probable that the then current version of the CRM system that was being developed would be completed and placed into service.

Insurance

We self-insure for certain obligations related to health, workers' compensation, vehicles and general liability programs. We also purchase stop-loss insurance policies for workers' compensation, vehicles and general liability programs to protect ourselves from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for events that have occurred, but have not been reported. Our estimates consider historical claim experience and other factors. Our liabilities are based on our estimates, and, while we believe that our accruals are adequate, the ultimate liability may be significantly different from the amounts recorded. In certain cases where partial insurance coverage exists, we must estimate the portion of the liability that will be covered by existing insurance policies to arrive at our net expected liability. Receivables for insurance recoveries are recorded as assets, on an undiscounted basis. Changes in our claim experience, our ability to settle claims or other estimates and judgments we use could have a material impact on the amount and timing of expense for any given period.

Environmental and Other Contingencies

We are subject to legal proceedings and claims arising from the conduct of our business operations, including environmental matters, personal injury, customer contract matters and employment claims. U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has occurred, and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. We regularly consult with our attorneys and outside consultants, in our consideration of the relevant facts and circumstances, before recording a contingent liability. We record accruals for environmental and other contingencies based on enacted laws, regulatory orders or decrees, our estimates of costs, insurance proceeds, participation by other parties, the timing of payments, and the input of our attorneys and outside consultants.

The estimated liability for environmental contingencies has been discounted as of August 31, 2019 using risk-free interest rates ranging from 1.5% to 2.0% over periods ranging from ten to thirty years. The estimated current costs, net of legal settlements with insurance carriers, have been adjusted for the estimated impact of inflation at 3.0% per year. Changes in enacted laws, regulatory orders or decrees, our estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of our attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for our environmental and other contingent liabilities. Refer to Note 11, "Commitments and Contingencies", of our Consolidated Financial Statements for additional discussion and analysis.

Asset Retirement Obligations

Under U.S. GAAP, asset retirement obligations generally apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Current accounting guidance requires that we recognize asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

We have recognized as a liability the present value of the estimated future costs to decommission our nuclear laundry facilities in accordance with U.S. GAAP. We depreciate, on a straight-line basis, the amount added to property, plant and equipment and recognize accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to twenty-five years.

Our estimated liability has been based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 7.0% to 7.5%. Revisions to the liability could occur due to changes in the estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revisions in our estimates will be recognized by adjusting the carrying amount of the liability and the related long-lived asset if the assets are still in service, or charged to expense in the period if the assets are no longer in service.

Supplemental Executive Retirement Plan and other Pension Plans

We recognize pension expense on an accrual basis over our employees' estimated service periods. Pension expense is generally independent of funding decisions or requirements.

The calculation of pension expense and the corresponding liability requires us to use a number of critical assumptions, including the expected long-term rates of return on plan assets, the assumed discount rate, the assumed rate of compensation increases and life expectancy of participants. Changes in our assumptions can result in different expense and liability amounts, and future actual expense can differ from these assumptions. Pension expense increases as the expected rate of return on pension plan assets decreases. Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Income Taxes

We compute income tax expense by jurisdiction based on our operations in each jurisdiction. Our effective tax rate differs from the statutory U.S. income tax rate due to the effect of varying state and local income taxes, tax rates in foreign jurisdictions, tax credits, and certain nondeductible expenses.

Deferred income taxes are provided for temporary differences between the amounts recognized for income tax and financial reporting purposes at currently enacted tax rates. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. We review deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets will be realized.

We are periodically reviewed by U.S. domestic and foreign tax authorities regarding the amount of taxes due. These reviews typically include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Tax authorities may disagree with certain positions we have taken. In evaluating our exposure associated with various filing positions, we have recorded estimated reserves. Refer to Note 4, “Income Taxes”, of our Consolidated Financial Statements for further discussion regarding our accounting for income taxes and uncertain tax positions for financial accounting purposes.

Results of Operations

The following table presents certain selected financial data, including the percentage of revenues represented by each item, for fiscal years 2019, 2018 and 2017.

							% Change	
(In thousands, except for percentages)	Fiscal 2019	% of Revenues	Fiscal 2018	% of Revenues	Fiscal 2017	% of Revenues	Fiscal 2019 vs. Fiscal 2018	Fiscal 2018 vs. Fiscal 2017
Revenues	$1,809,376	100%	$1,696,489	100.0%	$1,590,958	100.0%	6.7%	6.6%
Costs and expenses:								
Cost of revenue (1)	1,139,195	63.0	1,056,724	62.3	993,589	62.5	7.8	6.4
Selling and administrative expenses (1)	334,840	18.5	360,727	21.3	342,407	21.5	(7.2)	5.4
Impairment charge	—	—	—	—	55,800	3.5	—	(100.0)
Depreciation and amortization	103,333	5.7	96,662	5.7	88,879	5.6	6.9	8.8
	1,577,368	87.2	1,514,113	89.2	1,480,675	93.1	4.2	2.3
Operating income	232,008	12.8	182,376	10.8	110,283	6.9	27.2	65.4
Other income, net	(5,916)	(0.3)	(4,870)	(0.3)	(4,840)	(0.3)	21.5	0.6
Income before income taxes	237,924	13	187,246	11.0	115,123	7.2	27.1	62.6
Provision for income taxes	58,790	3.2	23,351	1.4	44,927	2.8	151.8	(48.0)
Net income	$ 179,134	9.9%	$ 163,895	9.7%	$ 70,196	4.4%	9.3%	133.5%

(1) Exclusive of depreciation on our property, plant and equipment and amortization of our intangible assets.

Revenues and income (loss) from operations by reporting segment for fiscal 2019, 2018, and 2017 are presented in the following table. Refer to Note 15, "Segment Reporting", of our Consolidated Financial Statements for discussion of our reporting segments.

(In thousands)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Segment Information			
Revenues			
US and Canadian Rental and Cleaning	$ 1,582,416	$ 1,485,548	$ 1,415,423
MFG	254,218	247,530	206,572
Net intercompany MFG elimination	(254,111)	(247,424)	(206,316)
Corporate	33,682	37,994	26,470
Subtotal: Core Laundry Operations	1,616,205	1,523,648	1,442,149
Specialty Garments	132,767	118,477	98,024
First Aid	60,404	54,364	50,785
Total consolidated revenues	$ 1,809,376	$ 1,696,489	$ 1,590,958
Operating income (loss)			
US and Canadian Rental and Cleaning	$ 235,046	$ 213,322	$ 200,585
MFG	84,248	89,035	76,115
Net intercompany MFG elimination	1,128	(9,658)	(3,415)
Corporate	(107,468)	(129,111)	(176,978)
Subtotal: Core Laundry Operations	212,954	163,588	96,307
Specialty Garments	14,145	14,070	9,018
First Aid	4,909	4,718	4,958
Total operating income	$ 232,008	$ 182,376	$ 110,283

General

We derive our revenues through the design, manufacture, personalization, rental, cleaning, delivering, and selling of a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks and aprons and specialized protective wear, such as flame resistant and high visibility garments. We also rent industrial wiping products, floor mats, facility service products, other non-garment items, and provide restroom and cleaning supplies and first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies. We have five reporting segments, U.S. and Canadian Rental and Cleaning, MFG, Specialty Garments, First Aid and Corporate. We refer to the U.S. and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as our "Core Laundry Operations."

Cost of revenues include the amortization of rental merchandise in service and merchandise costs related to direct sales as well as labor and other production, service and delivery costs, and distribution costs associated with operating our Core Laundry Operations, Specialty Garments facilities, and First Aid locations. Selling and administrative costs include costs related to our sales and marketing functions as well as general and administrative costs associated with our corporate offices, non-operating environmental sites and operating locations including information systems, engineering, materials management, manufacturing planning, finance, budgeting, and human resources.

We have a substantial number of plants and conduct a significant portion of our business in energy producing regions in the U.S. and Canada. In general, we are relatively more dependent on business in these regions than are many of our competitors. Our operating results are also directly impacted by the costs of the gasoline used to fuel our vehicles and the natural gas used to operate our plants. While it is difficult to quantify the positive and negative impacts on our future financial results from changes in energy prices, in general, we believe that significant decreases in oil and natural gas prices would have an overall negative impact on our results due to cutbacks by our customers both in, and dependent upon, the oil and natural gas industries, which would outweigh the benefits in our operating costs from lower energy costs.

Our business is subject to various state and federal regulations, including employment laws and regulations, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, healthcare insurance mandates and other laws and regulations that impact our labor costs. We expect that our labor costs will rise in fiscal 2020 as a result of increases in state and local minimum wage levels as well as the overall impact of wage pressure as the result of a low unemployment environment.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law, which, among other provisions, reduced the U.S. federal corporate income tax rate effective January 1, 2018 from a 35% rate to a new 21% corporate rate and imposed a one-time transition tax on the deemed repatriation of certain deferred foreign income. We have made reasonable estimates of the effects of the Act and these estimates could change in future periods as we continue to analyze the effects of the Act (see Note 4, "Income Taxes" to our Consolidated Financial Statements included in this Annual Report on Form 10-K). As a result of the Act, U.S. corporations are subject to lower income tax rates, and we were required to remeasure our U.S. net deferred tax liabilities at a lower rate, resulting in a net benefit of $22.6 million recorded in the provision for income taxes as of August 25, 2018. Partially offsetting this benefit, we recorded a charge of $2.5 million for transition taxes related to the deemed repatriation of foreign earnings as of August 31, 2019. A portion of our sales is derived from international markets, including Canada. Revenues denominated in currencies other than the U.S. dollar represented approximately 7.0%, 8.1% and 7.4% of total consolidated revenues for fiscal years 2019, 2018 and 2017, respectively. The operating results of our international subsidiaries are translated into U.S. dollars and such results are affected by movements in foreign currencies relative to the U.S. dollar. In addition, a weaker Canadian dollar increases the costs to our Canadian operations of merchandise and other operational inputs that are sourced from outside Canada, which has the effect of reducing the operating margins of our Canadian business if we are unable to recover these additional costs through price adjustments with our Canadian customers. In fiscal 2019 and 2018, foreign currency fluctuations impacted our consolidated revenues negatively by 0.3% and positively by 0.3%, respectively. In fiscal 2017, foreign currency fluctuations negligibly impacted our consolidated revenues. These impacts were primarily driven by fluctuations in the Canadian dollar. Our operating results in future years could be negatively impacted by any further devaluation, as compared to the U.S. dollar, of the Canadian dollar or any of the currencies of the other countries in which we operate.

On March 27, 2018, we repurchased 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00. This opportunity to repurchase shares from the Croatti family was evaluated by an independent special committee of the Board of Directors (the "Special Committee"). The sale of shares by the Croatti family was executed to provide liquidity as well as for estate and family financial planning following the passing of our former Chief Executive Officer, Ronald D. Croatti. The Special Committee determined that a repurchase of Croatti family Class B Common Stock at a discount to market was in our best interests as it is accretive to income per share and addresses uncertainties that may have been created if the Croatti family had pursued other liquidity options.

The Special Committee undertook its evaluation with the assistance of Stifel Financial Corp. ("Stifel") and received an opinion from Stifel to the effect that, as of March 27, 2018, the $124.00 per share in cash to be paid was fair to us, from a financial point of view. The entire Board of Directors other than Cynthia Croatti, who is affiliated with the selling shareholders and therefore abstained, approved the transaction upon the recommendation of the Special Committee.

On March 28, 2018, we announced that we would be raising our quarterly dividend to $0.1125 per share for Common Stock and to $0.09 per share for Class B Common Stock, up from $0.0375 and $0.03 per share, respectively.

On October 23, 2019, we announced that we would be raising our quarterly dividend to $0.25 per share for Common Stock and to $0.20 per share for Class B Common Stock, up from $0.1125 and $0.09 per share, respectively. The amount and timing of any future dividend payment is subject to the approval of the Board of Directors each quarter.

On January 2, 2019, our Board of Directors approved a share repurchase program authorizing the Company to repurchase from time to time up to $100.0 million of its outstanding shares of Common Stock. Repurchases made under the program, if any, will be made in either the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will depend on a variety of factors, including economic and market conditions, the Company stock price, corporate liquidity requirements and priorities, applicable legal requirements and other factors. The share repurchase program will be funded using the Company's available cash or capacity under its Credit Agreement (as defined below) and may be suspended or discontinued at any time. During fiscal 2019, the Company repurchased 0.2 million shares for an average price per share of $154.78.

During fiscal 2017, we recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the CRM system that was being developed would be completed and placed into service. On December 28, 2018, we entered into a settlement agreement with our lead contractor for the version of the CRM system with respect to which we recorded the impairment charge. As part of the settlement agreement, we recorded in the second quarter ended February 23, 2019 a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes our receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. We also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement.

In our fourth fiscal quarter of 2018, we initiated a multiyear CRM project to further develop, implement and deploy a third-party application we licensed. This new solution is intended to improve functionality, capability and information flow as well as increase automation in servicing our customers. As of August 31, 2019, we have capitalized $10.7 million related to our new CRM project.

Fiscal Year Ended August 31, 2019 Compared with Fiscal Year Ended August 26, 2018

Revenues

	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
	(In thousands, except percentages)			
Core Laundry Operations	$ 1,616,205	$ 1,523,648	$ 92,557	6.1%
Specialty Garments	132,767	118,477	14,290	12.1%
First Aid	60,404	54,364	6,040	11.1%
Total consolidated revenues	$ 1,809,376	$ 1,696,489	$ 112,887	6.7%

The increase of our consolidated revenues in fiscal 2019 compared to the prior fiscal year was due primarily to growth in our Core Laundry Operations. The growth in our Core Laundry Operations was comprised of 3.8% of organic growth, 2.0% growth from the extra week in fiscal 2019 and 0.3% growth from acquisitions. Organic growth consists primarily of new sales, price increases, and net changes in the wearer levels at our existing customers, offset by lost accounts. Core Laundry Operations' organic growth in 2019 benefitted from strong new accounts sales as well as reduced lost accounts.

The Specialty Garments segment's results are often affected by seasonality and the timing and length of its customers' power reactor outages as well as its project-based activities. The improvement in revenues in fiscal 2019 compared to fiscal 2018 was primarily comprised of 7.4% growth from acquisitions, 2.7% of organic growth from increased outages and project-based activity at the segment's Canadian and European nuclear customers, and 2.0% growth from the extra week in fiscal 2019.

The increase of our First Aid revenues in fiscal 2019 compared to fiscal 2018 was comprised of 7.8% of organic growth, 1.9% growth from the extra week in fiscal 2019 and 1.5% growth from acquisitions.

Cost of revenues

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
Cost of revenues				
Core Laundry Operations	$ 1,009,321	$ 942,374	$ 66,947	7.1%
Specialty Garments	89,138	77,317	11,821	15.3%
First Aid	40,736	37,033	3,703	10.0%
Consolidated total	$ 1,139,195	$ 1,056,724	$ 82,471	7.8%

Cost of revenues as a percentage of revenues was 63.0% for fiscal 2019 as compared to 62.3% in fiscal 2018.

Our Core Laundry Operations cost of revenues as a percentage of revenues increased to 62.5% for fiscal 2019 from 61.8% for fiscal 2018. This increase was due primarily to higher merchandise and service and delivery payroll costs, which were partially offset by lower healthcare claims.

Our Specialty Garments cost of revenues as a percentage of revenues was 67.1% for fiscal 2019 as compared to 65.3% for fiscal 2018. The increase was due primarily to higher merchandise costs related to acquisitions in the second half of fiscal 2018 as well as higher expenses related to workers' compensation and auto claims. These increases were partially offset by lower healthcare claims.

Our First Aid costs of revenues as a percentage of revenues was 67.4% for fiscal 2019 as compared to 68.1% for fiscal 2018. The decrease was due primarily to lower merchandise and production costs in our wholesale distribution business in fiscal 2019.

Selling and administrative expenses

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
Selling and administrative expenses	$ 334,840	$ 360,727	$ (25,887)	(7.2)%
% of Revenues	18.5%	21.3%		

The decrease in our selling and administrative expenses as a percentage of revenues in fiscal 2019 compared to fiscal 2018 was due primarily to a gain of $21.1 million in fiscal 2019 related to the settlement agreement with the lead contractor for the version of the CRM system with respect to which we recorded a $55.8 million impairment charge in fiscal 2017. Also contributing to the decrease was a $7.2 million one-time cash bonus in fiscal 2018 to our employees so that they could share in the benefits received by the Company from U.S. tax reform, a gain of $3.0 million from the settlement of environmental litigation in the first quarter of fiscal 2019, lower healthcare claims, the capitalization of internal labor costs beginning in the fourth quarter of fiscal 2018 related to the development of the new CRM project we initiated in fiscal 2018, and the capitalization of sales commission costs upon the adoption of new revenue accounting guidance in fiscal 2019.

Depreciation and amortization

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
Depreciation and amortization	$ 103,333	$ 96,662	$ 6,671	6.9%
% of Revenues	5.7%	5.7%		

The increase in depreciation and amortization reflects the Company's continued capital investments in the business. However, in fiscal 2019, depreciation and amortization remained consistent with fiscal 2018 as a percentage of revenue.

Income from operations

For fiscal 2019, the changes in revenues in our Core Laundry Operations, Specialty Garments and First Aid segments, as well as the changes in our costs discussed above, resulted in the following changes in our income from operations:

	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
	(In thousands, except percentages)			
Core Laundry Operations	$ 212,954	$ 163,588	$ 49,366	30.2%
Specialty Garments	14,145	14,070	75	0.5%
First Aid	4,909	4,718	191	4.0%
Total consolidated income from operations	$ 232,008	$ 182,376	$ 49,632	27.2%
Percentage of total revenues	12.8%	10.8%		

Other income, net

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
Interest income, net	$ (9,082)	$ (5,543)	$ (3,539)	63.8%
Other expense, net	3,166	673	2,493	370.4%
Total other income, net	$ (5,916)	$ (4,870)	$ (1,046)	21.5%

Other income, net, which includes interest income and other expense, increased by $1.0 million or 21.5% in fiscal 2019 as compared to fiscal 2018. This change was due primarily to higher interest income from higher interest rates as well as greater amounts of cash invested. This increase was partially offset by an increase in other expense from the adoption of new accounting guidance that resulted in the presentation of periodic pension costs amounting to $2.1 million in other income, net in fiscal 2019 that was presented in selling and administrative expenses in the prior fiscal year.

Provision for income taxes

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Dollar Change	Percent Change
Provision for income taxes	$ 58,790	$ 23,351	$ 35,439	151.8%
Effective income tax rate	24.7%	12.5%		

The increase in our effective income tax rate for fiscal 2019 as compared to fiscal 2018 was due primarily to the impact of the Act, which lowered the U.S. federal corporate income tax rates as of January 1, 2018 to 21.0% from 35.0%. These new rates required us to remeasure our U.S. net deferred income tax liabilities in fiscal 2018. Also, we were subject to a one-time transition tax for the deemed repatriation of our deferred foreign income. The remeasurement of our U.S. net deferred tax liabilities and the one-time transition tax resulted in a $20.1 million net benefit to our provision for income taxes in the second quarter of fiscal 2018. For additional information pertaining to income taxes and the Act, please refer to Note 4, “Income Taxes” to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Fiscal Year Ended August 25, 2018 Compared with Fiscal Year Ended August 26, 2017

Revenues

	Fiscal 2018	Fiscal 2017	Dollar Change	Percent Change
		(In thousands, except percentages)		
Core Laundry Operations	$ 1,523,648	$ 1,442,149	$ 81,499	5.7%
Specialty Garments	118,477	98,024	20,453	20.9%
First Aid	54,364	50,785	3,579	7.0%
Total consolidated revenues	$ 1,696,489	$ 1,590,958	$ 105,531	6.6%

In fiscal 2018, our consolidated revenues increased by $105.5 million from the comparable period in fiscal 2017, or 6.6%. The increase in our consolidated revenues was primarily driven by the growth in our Core Laundry Operations, with revenues increasing to $1.524 billion in fiscal 2018 from $1.442 billion in fiscal 2017, or 5.7%. Excluding the positive effect of acquisitions, which we estimate increased our revenues by approximately 1.0% during fiscal 2018, as well as a slightly stronger Canadian dollar, which favorably impacted our growth by approximately 0.2%, organic growth for our Core Laundry Operations was approximately 4.5%. Organic growth consists primarily of new sales, price increases, and net changes in the wearer levels at our existing customers, offset by lost accounts.

Specialty Garments’ revenue increased from $98.0 million in fiscal 2017 to $118.5 million in fiscal 2018, or 20.9%. This segment’s results are often affected by seasonality and the timing and length of its customers’ power reactor outages as well as its project-based activities. The improvement in results in fiscal 2018 compared to fiscal 2017 was primarily due to increased outages and project-based activity at the segment’s Canadian and European nuclear customers, as well as solid growth from the cleanroom business.

First Aid revenues increased 7.0%, from $50.8 million in fiscal 2017 to $54.4 million in fiscal 2018. The improvement in results was due to a strong performance from this segment’s wholesale distribution business as well as a small acquisition that closed in the third quarter of fiscal 2017.

Cost of revenues

Cost of revenues was 62.3% and 62.5% of revenues in fiscal 2018 and fiscal 2017, respectively. The decrease was due primarily to lower worker’s compensation expense as a percentage of revenues, as well as lower merchandise costs in our Core Laundry Operations and Specialty Garments segments. These cost improvements were partially offset by higher production and service and delivery payroll costs as well as higher energy costs as percentages of revenues in our Core Laundry Operations.

Selling and administrative expense

Our selling and administrative expenses were 21.3% and 21.5% of revenues in fiscal 2018 and fiscal 2017, respectively. Our results in fiscal 2018 include a $7.2 million one-time cash bonus to our employees so that they may share in the benefits received from the recent U.S. tax reform. Our results in fiscal 2017 include $5.4 million of stock compensation expense related to the accelerated vesting of restricted stock for our former Chief Executive Officer, Ronald Croatti, upon his death. Excluding the effect of the one-time bonus in fiscal 2018 and the accelerated vesting in fiscal 2017, our selling and administrative expenses, as a percentage of revenues for fiscal 2018 as compared to fiscal 2017, decreased due primarily to lower expenses from claims related to healthcare for our employees and worker’s compensation.

Impairment charge

Our fiscal 2017 fourth quarter results included a $55.8 million impairment charge related to our CRM systems project. We determined that, as of August 26, 2017, it was not probable that the then current version of the CRM system that was being developed would be completed and placed into service and as a result, an impairment of most capitalized costs was required. During fiscal 2018, the previous version of the CRM system being developed was abandoned, and the Company is now working on a new CRM system.

Depreciation and amortization

Our depreciation and amortization expense was $96.7 million, or 5.7% of revenues, in fiscal 2018 compared to $88.9 million, or 5.6% of revenues, in fiscal 2017. Depreciation and amortization expense increased due primarily to an increase in depreciation resulting from higher capital expenditures placed in service in recent fiscal years.

Income from operations

For fiscal 2018, the changes in revenues in our Core Laundry Operations, Specialty Garments and First Aid segments, as well as the changes in our costs discussed above, resulted in the following changes in our income from operations:

	Fiscal 2018	Fiscal 2017	Dollar Change	Percent Change
	(In thousands, except percentages)			
Core Laundry Operations	$ 163,588	$ 96,307	$ 67,281	69.9%
Specialty Garments	14,070	9,018	$ 5,052	56.0%
First Aid	4,718	4,958	$ (240)	(4.8)%
Total consolidated income from operations	$ 182,376	$ 110,283	$ 72,093	65.4%
Percentage of total revenues	10.8%	6.9%		

Other income, net

Other income, net, which includes interest expense, interest income and other income and expense, increased by 0.6% in fiscal 2018 as compared to fiscal 2017. This change was primarily due to net interest income of $5.5 million during fiscal 2018 compared to interest income of $4.3 million during fiscal 2017. The increase was offset by a decrease in other expense (income), net, of $1.2 million in fiscal 2018 compared to fiscal 2017 due to a $0.5 million insurance policy gain in the fourth quarter of fiscal 2017 and foreign currency exchange gains.

Provision for income taxes

Our effective income tax rate for fiscal 2018 was 12.5% compared to 39.0% for fiscal 2017. The decrease in our effective tax rate was due primarily to the impact of the Act, which lowered the U.S. federal corporate income tax rates as of January 1, 2018. These new rates required us to remeasure our U.S. net deferred income tax liabilities for fiscal 2018. Also, we will be subject to a one-time transition tax for the deemed repatriation of our foreign earnings. The remeasurement of our U.S. net deferred tax liabilities and the one-time transition tax resulted in a $20.1 million net benefit to our provision for income taxes in fiscal 2018. Our effective tax rate for fiscal 2018 also benefited from the effect of the lower U.S. federal corporate income tax rates on our earnings. In addition to the impact of the Act, our effective tax rate for fiscal 2018 was lower due to a discrete tax benefit of $3.1 million from the adoption of new accounting guidance during the first quarter of fiscal 2018 that requires tax effects of exercised or vested awards to be treated as discrete items as a reduction of income tax expense in the reporting period in which they occur.

Liquidity and Capital Resources

General

Cash, cash equivalents and short-term investments totaled $385.3 million as of August 31, 2019, an increase of $114.8 million from $270.5 million as of August 25, 2018. We generated $282.1 million and $230.1 million in cash from operating activities in the fiscal years ended August 31, 2019 and August 25, 2018, respectively.

Pursuant to a share repurchase program approved by the Board of Directors on January 2, 2019, we repurchased 0.2 million shares of our Common Stock for a combined $30.5 million during fiscal 2019. On March 27, 2018, we repurchased

1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00. We believe that our current cash, cash equivalents and short-term investments balances, our cash generated from future operations and amounts available under our Credit Agreement (defined below) will be sufficient to meet our current anticipated working capital and capital expenditure requirements for at least the next 12 months.

Cash flows provided by operating activities have historically been the primary source of our liquidity. We generally use these cash flows to fund most, if not all, of our operations, capital expenditure and acquisition activities as well as dividends on our common stock. We may also use cash flows provided by operating activities, as well as proceeds from loans payable and long-term debt, to fund growth and acquisition opportunities, as well as other cash requirements.

(In thousands, except percentages)	Fiscal 2019	Fiscal 2018	Percent Change
Net cash provided by operating activities	$ 282,142	$ 230,073	22.6%
Net cash used in investing activities	(124,329)	(153,898)	(19.2)%
Net cash used in financing activities	(41,491)	(152,948)	(72.9)%
Effect of exchange rate changes	(1,493)	(2,467)	(39.5)%
Net increase (decrease) in cash, cash equivalents and short-term investments	$ 114,829	$ (79,240)	(244.9)%

Cash Provided by Operating Activities

This net increase in cash provided by operating activities in fiscal 2019 compared to fiscal 2018 was due primarily to cash received of $13.0 million in the second quarter of fiscal 2019 from the settlement agreement with the lead contractor for the version of the CRM system with respect to which we recorded a $55.8 million impairment charge in fiscal 2017. Also contributing to the increase was $3.0 million from the settlement of environmental litigation in the first quarter of fiscal 2019, lower inventory purchases and rental merchandise placed in service and improved collections of trade receivables. This increase was partially offset by the one-time bonus of $7.2 million paid to our employees during the first quarter of fiscal 2019 and the timing of income tax payments.

Cash Used in Investing Activities

The net decrease in cash used in investing activities in fiscal 2019 compared to fiscal 2018 was due primarily to a lower level of acquisition activity in fiscal 2019 as compared to fiscal 2018, partially offset by increased capital expenditures and capitalized software costs.

Cash Used in Financing Activities

This decrease in cash used in financing activities in fiscal 2019 compared to fiscal 2018 was primarily the result of the repurchase of 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock from the Croatti family for $146.0 million in fiscal 2018. This decrease was partially offset by repurchases of 0.2 million shares of Common Stock for $30.5 million in fiscal 2019.

Long-term debt and borrowing capacity

We have a $250.0 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks, which matures on April 11, 2021. Under the Credit Agreement, we are able to borrow funds at variable interest rates based on, at our election, the Eurodollar rate or a base rate, plus in each case a spread based on our consolidated funded debt ratio. Availability of credit requires compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the Credit Agreement. We test our compliance with these financial covenants on a fiscal quarterly basis. As of August 31, 2019, the interest rates applicable to our borrowings under the Credit Agreement would be calculated as LIBOR plus 75 basis points at the time of the respective borrowing. As of August 31, 2019, we had no outstanding borrowings and had outstanding letters of credit amounting to $71.8 million, leaving $178.2 million available for borrowing under the Credit Agreement.

As of August 31, 2019, we were in compliance with all covenants under the Credit Agreement.

Derivative Instruments and Hedging Activities

In January 2015, we entered into sixteen forward contracts to exchange Canadian dollars ("CAD") for U.S. dollars at fixed exchange rates in order to manage our exposure related to certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of fiscal 2015 and continuing through the second fiscal quarter of the fiscal 2019. In total, we sold approximately 31.0 million CAD at an average Canadian-dollar exchange rate of 0.7825 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP. Accordingly, we have reflected all changes in the fair value of the forward contracts in accumulated other comprehensive loss, a component of shareholders' equity. Upon the maturity of each foreign exchange forward contract, the gain or loss on the contract was recorded as an adjustment to revenues.

In June 2018, we entered into twelve forward contracts to exchange CAD for U.S. dollars at fixed exchange rates in order to manage our exposure related to certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of 2019 and continuing through the second fiscal quarter of 2022. In total, we will sell approximately 12.1 million CAD at an average Canadian-dollar exchange rate of 0.7814 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP.

As of August 31, 2019, we had forward contracts with a notional value of approximately $9.5 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding $0.2 million gain in accumulated other comprehensive loss, which was recorded net of tax. During fiscal 2019, we reclassified $0.2 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that results in decrease to accumulated other comprehensive loss as of August 31, 2019 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

Environmental and Legal Contingencies

We are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. We are attentive to the environmental concerns surrounding the disposal of these materials and have, through the years, taken measures to avoid their improper disposal. Over the years, we have settled, or contributed to the settlement of, actions or claims brought against us relating to the disposal of hazardous materials and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future.

U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. We regularly consult with attorneys and outside consultants in our consideration of the relevant facts and circumstances before recording a contingent liability. Changes in enacted laws, regulatory orders or decrees, our estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of our attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for our environmental and other contingent liabilities.

Under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon our Company under such laws or expose our Company to third party actions such as tort suits. We continue to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina.

We have accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. We have potential exposure related to a parcel of land (the "Central Area") related to the Woburn, Massachusetts site mentioned above. Currently, the consent decree for the Woburn site does not define or require any remediation work in the Central Area. The United States Environmental Protection Agency (the "EPA") has provided us and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. We, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA's comments remain to be resolved. We have accrued costs to perform certain work responsive to the EPA's comments. Additionally, we have implemented mitigation measures and continue to monitor environmental conditions at the Somerville, Massachusetts site. We have received a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that we made in 2009 for a portion of the site. We are in the process of responding to that notice. We have received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station is part of an ongoing extension of the transit system. We have reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change.

We routinely review and evaluate sites that may require remediation and monitoring and determine our estimated costs based on various estimates and assumptions. These estimates are developed using our internal sources or by third-party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating and monitoring our sites;
- Information available from regulatory agencies as to costs of remediation and monitoring;
- The number, financial resources and relative degree of responsibility of other potentially responsible parties (PRPs) who may be liable for remediation and monitoring of a specific site; and
- The typical allocation of costs among PRPs.

There is usually a range of reasonable estimates of the costs associated with each site. In accordance with U.S. GAAP, our accruals represent the amount within the range that we believe is the best estimate or the low end of a range of estimates if no point within the range is a better estimate. When we believe that both the amount of a particular liability and the timing of the payments are reliably determinable, we adjust the cost in current dollars using a rate of 3% for inflation until the time of expected payment and discount the cost to present value using current risk-free interest rates. As of August 31, 2019, the risk-free interest rates we utilized ranged from 1.5% to 2.0%.

For environmental liabilities that have been discounted, we include interest accretion, based on the effective interest method, in selling and administrative expenses on the Consolidated Statements of Income. The changes to the amounts of our environmental liabilities for the years ended August 31, 2019 and August 25, 2018 are as follows (in thousands):

Year ended	**August 31, 2019**	**August 25, 2018**
Beginning balance	$ 25,486	$ 25,419
Costs incurred for which reserves have been provided	(1,079)	(1,016)
Insurance proceeds	143	140
Interest accretion	755	692
Changes in discount rates	2,239	(494)
Revisions in estimates	174	745
Ending balance	$ 27,718	$ 25,486

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of August 31, 2019 for the next five fiscal years and thereafter, as measured in current dollars, are reflected below (in thousands).

Fiscal year ended August	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Estimated costs—current dollars	$ 9,944	$ 2,186	$ 1,353	$ 1,091	$ 1,058	$ 12,032	$ 27,664
Estimated insurance proceeds	(159)	(173)	(159)	(173)	(159)	(693)	(1,516)
Net anticipated costs	$ 9,785	$ 2,013	$ 1,194	$ 918	$ 899	$ 11,339	$ 26,148
Effect of inflation							7,254
Effect of discounting							(5,684)
Balance as of August 31, 2019							$ 27,718

Estimated insurance proceeds are primarily received from an annuity received as part of our legal settlement with an insurance company. Annual proceeds of approximately $0.3 million are deposited into an escrow account which funds remediation and monitoring costs for two sites related to our former operations in Williamstown, Vermont. Annual proceeds received but not expended in the current year accumulate in this account and may be used in future years for costs related to this site through the year 2027. As of August 31, 2019, the balance in this escrow account, which is held in a trust and is not recorded in our Consolidated Balance Sheet, was approximately $4.2 million. Also included in estimated insurance proceeds are amounts we are entitled to receive pursuant to legal settlements as reimbursements from three insurance companies for estimated costs at the site in Uvalde, Texas.

Our nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission, or, in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. We also have nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country's applicable federal agency. There can be no assurance that such regulation will not lead to material disruptions in our garment decontamination business.

From time to time, we are also subject to legal proceedings and claims arising from the conduct of our business operations, including personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible for us to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits and environmental contingencies, we believe that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance have been properly accrued in accordance with accounting principles generally accepted in the United States. It is possible, however, that the future financial position and/or results of operations for any particular future period could be materially affected by changes in our assumptions or strategies related to these contingencies or changes out of our control.

Acquisitions

As part of our business, we regularly evaluate opportunities to acquire other garment service companies. In recent years, we have typically paid for acquisitions with cash and may continue to do so in the future. To pay for an acquisition, we may use cash on hand, cash generated from operations or borrowings under our Credit Agreement, or we may pursue other forms of debt financing. Our ability to secure short-term and long-term debt financing in the future will depend on several factors, including our future profitability, our levels of debt and equity, and the overall credit and equity market environments.

Contractual Obligations and Other Commercial Commitments

The following information is presented as of August 31, 2019 (in thousands).

	Payments Due by Fiscal Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Retirement plan benefit payments	$ 41,533	$ 2,085	$ 2,904	$ 3,475	$ 33,069
Asset retirement obligations	12,727	112	1,427	1,683	9,505
Operating leases	43,813	13,560	18,193	9,435	2,625
Forward contracts	9,470	4,520	4,950	—	—
Total contractual cash obligations	$ 107,543	$ 20,277	$ 27,474	$ 14,593	$ 45,199

We have uncertain tax positions that are reserved totaling $7.7 million as of August 31, 2019 that are excluded from the above table as we cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

We have accrued $27.7 million in costs related to certain environmental obligations we have to address under terms of consent orders negotiated with the applicable environmental authorities or otherwise. Refer to "Environmental and Legal Contingencies", above for additional discussion on our environmental obligations.

As discussed above under "Long-Term Debt and Borrowing Capacity", as of August 31, 2019, we had borrowing capacity of $250.0 million under our Credit Agreement, of which approximately $178.2 million was available for borrowing. Also, as of such date, we had no outstanding borrowings and letters of credit outstanding of $71.8 million. All letters of credit expire in less than one year. We expect to replace the Credit Agreement prior to its maturity with a new revolving line of credit on appropriate terms.

As discussed above under “Derivative Instruments and Hedging Activities”, as of August 31, 2019, we had forward contracts with a notional value of approximately $9.5 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding $0.2 million gain in accumulated other comprehensive loss, which was recorded net of tax. During fiscal 2019, we reclassified $0.2 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that results in decrease to accumulated other comprehensive loss as of August 31, 2019 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

Off Balance Sheet Arrangements

As of August 31, 2019, we did not have any off balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission Regulation S-K.

Effects of Inflation

In general, we believe that our results of operations are not dependent on moderate changes in the inflation rate. Historically, we have been able to manage the impacts of more significant changes in inflation rates through our customer relationships, customer agreements that generally provide for price increases consistent with the rate of inflation, and continued focus on improvements of operational productivity.

Energy Costs

Significant increases in energy costs, specifically with respect to natural gas and gasoline, can materially affect our operating costs. During fiscal 2019, our energy costs, which include fuel, natural gas, and electricity, represented approximately 4.1% of our total revenue.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued updated accounting guidance for revenue recognition, which it has subsequently modified. This modified update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard includes cost guidance, whereby all direct and incremental costs to obtain or fulfill a contract will be capitalized and amortized over the corresponding period of benefit, determined on a contract by contract basis. This guidance is also intended to improve disclosure requirements and enhance the comparability of revenue recognition practices. Improved disclosures under the amended guidance relate to the nature, amount, timing and uncertainty of revenue that is recognized from contracts with customers. We adopted the standard on August 26, 2018 using the modified retrospective adoption method. Upon adoption of this guidance, we recorded an adjustment to the opening balance of retained earnings as of August 26, 2018. The adoption of the standard did not have any material impact to the timing or measurement of revenues. The adjustment to retained earnings relates to the capitalization of certain direct and incremental contract costs required by the new guidance, net of the related income tax effect. Capitalized costs are amortized ratably over the anticipated period of benefit. We applied the new guidance to all contracts as of August 26, 2018. Results for reporting periods beginning after August 25, 2018 are presented under the new guidance, while comparative prior period amounts have not been restated and continue to be presented under accounting standards in effect in those periods.

Capitalization of Contract Costs. We elected to apply the guidance, as a practical expedient, to a portfolio of contracts (or performance obligations) with similar characteristics because we reasonably expect that the effects on the Consolidated Financial Statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within the portfolio. We also continue to expense certain costs to obtain a contract if those costs do not meet the criteria of the new standard or the amortization period of the asset would have been one year or less.

The cumulative effect of applying the new guidance was recorded as an adjustment to retained earnings as of the adoption date. The adoption of this standard had no impact on our fiscal 2019 operating cash flow with the exception of the impact to net income as mentioned in Note 1, “Recent Accounting Pronouncements” to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

In January 2016, the FASB issued updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. Accordingly, we adopted this guidance on August 26, 2018. The adoption of this standard did not have a material impact on our financial statements.

In February 2016, the FASB issued updated guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. This new guidance is effective for reporting periods beginning after December 15, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in their financial statements. We adopted the new guidance on September 1, 2019. In accordance with Topic 842, a registrant can elect not to present comparative financial information under Topic 842 if it recognizes a cumulative-effect adjustment to retained earnings upon adoption. We intend to make this transition election. The majority of our lease spend relates to certain real estate with the remaining lease spend primarily related to vehicles and equipment. In addition to the new qualitative and quantitative disclosures that will be required upon adoption of this standard, we anticipate recognizing lease assets and liabilities on the balance sheet in the range of approximately $40.0 million to $50.0 million, based on our portfolio of leases at August 31, 2019. We do not expect a material impact on its consolidated statements of income or consolidated statements of cash flows. We are substantially complete with our implementation efforts.

In August 2016, the FASB issued updated guidance that reduces diversity in how certain cash receipts and cash payments are presented and classified in the Consolidated Statements of Cash Flows. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied retrospectively, with early adoption permitted. Accordingly, we adopted this guidance on August 26, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In June 2016, the FASB issued updated guidance that introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments including trade receivables. The estimate of expected credit losses will require entities to incorporate historical information, current information and reasonable and supportable forecasts. This guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. Accordingly, the guidance will be effective for the Company on August 30, 2020. We are currently evaluating the impact that this guidance will have on our financial statements and related disclosures.

In October 2016, the FASB issued updated guidance to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied on a modified retrospective basis, with early adoption permitted. Accordingly, we adopted this standard us on August 26, 2018. The adoption of this guidance did not have a material impact on our financial statements.

In March 2017, the FASB issued updated guidance that requires a change in the presentation of net periodic benefit cost on the consolidated statements of operations. Specifically, entities must present the service cost component of net periodic benefit cost in the same financial statement line items as other compensation costs arising from services rendered by the related employees during the period, whereas the non-service components of net periodic benefit cost must be presented separately from the financial statement line items that include service cost and outside of operating income. Our adoption of this guidance on August 26, 2018 did not have a material impact on our financial statements.

In August 2017, the FASB issued guidance that expands component and fair value hedging, specifies the presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The accounting update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted, and is to be applied on a modified retrospective basis. We elected to early adopt this guidance in the first quarter of fiscal 2019. The adoption of this guidance did not have a material impact on our financial statements.

In August 2018, the FASB issued updated guidance to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance will be effective for annual reporting periods, and any interim periods within those annual periods, ending after December 15, 2020 and will be required to be applied on a retrospective basis, with early adoption permitted. Accordingly, the standard will be effective for us on August 29, 2021. We are currently evaluating the impact that this guidance will have on our financial statements and related disclosures.

In August 2018, the FASB issued guidance that addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Accordingly, the guidance will be effective for us on August 30, 2020. We are currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have determined that all of our foreign subsidiaries operate primarily in local currencies that represent the functional currencies of such subsidiaries. All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date. The effects of exchange rate fluctuations on the translation of assets and liabilities are recorded as a component of shareholders' equity. Revenues and expenses are translated at the average exchange rates in effect during each month of the fiscal year. As such, our financial condition and operating results are affected by fluctuations in the value of the U.S. dollar as compared to currencies in foreign countries. Revenues denominated in currencies other than the U.S. dollar represented approximately 7.0%, 8.1% and 7.4% of our total consolidated revenues for fiscal 2019, 2018 and 2017, respectively. Total assets denominated in currencies other than the U.S. dollar represented approximately 6.9% and 8.0% of our total consolidated assets at August 31, 2019 and August 25, 2018, respectively. If exchange rates had increased or decreased by 10% from the actual rates in effect during the fiscal year ended August 31, 2019, our revenues and assets for the year ended and as of August 31, 2019 would have increased or decreased by approximately $12.6 million and $14.1 million, respectively.

In January 2015, we entered into sixteen forward contracts to exchange Canadian dollars ("CAD") for U.S. dollars at fixed exchange rates in order to manage our exposure related to certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third quarter of fiscal 2015 and continuing through the second quarter of fiscal 2019. In total, we sold approximately 31.0 million CAD at an average Canadian-dollar exchange rate of 0.7825 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP. Accordingly, we reflected all changes in the fair value of the forward contracts in accumulated other comprehensive loss, a component of shareholders' equity. Upon the maturity of each foreign exchange forward contract, the gain or loss on the contract was recorded as an adjustment to revenues.

In June 2018, we entered into twelve forward contracts to exchange CAD for U.S. dollars at fixed exchange rates in order to manage our exposure related to certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of 2019 and continuing through the second fiscal quarter of 2022. In total, we will sell approximately 12.1 million CAD at an average Canadian-dollar exchange rate of 0.7814 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP.

As of August 31, 2019, we had forward contracts with a notional value of approximately $9.5 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding $0.2 million gain in accumulated other comprehensive loss, which was recorded net of tax. During fiscal 2019, we reclassified $0.2 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that results in decrease to accumulated other comprehensive loss as of August 31, 2019 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

Other than the forward contracts discussed above, we do not operate a hedging program to mitigate the effect of a significant change in the value of the functional currencies of our foreign subsidiaries, which include the Canadian dollar, euro, British pound, Mexican peso and Nicaraguan cordoba, as compared to the U.S. dollar. Any losses or gains resulting from unhedged foreign currency transactions, including exchange rate fluctuations on intercompany accounts are reported as transaction losses (gains) in our other (income) expense, net. The intercompany payables and receivables are denominated in Canadian dollars, euros, British pounds, Mexican pesos and Nicaraguan cordobas. During the fiscal year ended August 31, 2019, transaction losses included in other expense (income), net, was $1.1 million. If exchange rates had changed by 10% during fiscal 2019, we would have recognized exchange gains or losses of approximately $0.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Income

UniFirst Corporation and Subsidiaries

Year ended (In thousands, except per share data)	August 31, 2019	August 25, 2018	August 26, 2017
Revenues	$ 1,809,376	$ 1,696,489	$ 1,590,958
Operating expenses:			
Cost of revenues (1)	1,139,195	1,056,724	993,589
Selling and administrative expenses (1)	334,840	360,727	342,407
Impairment charge	—	—	55,800
Depreciation and amortization	103,333	96,662	88,879
Total operating expenses	1,577,368	1,514,113	1,480,675
Operating income	232,008	182,376	110,283
Other (income) expense:			
Interest income, net	(9,082)	(5,543)	(4,269)
Other expense (income), net	3,166	673	(571)
Total other income, net	(5,916)	(4,870)	(4,840)
Income before income taxes	237,924	187,246	115,123
Provision for income taxes	58,790	23,351	44,927
Net income	$ 179,134	$ 163,895	$ 70,196
Income per share—Basic:			
Common Stock	$ 9.77	$ 8.66	$ 3.63
Class B Common Stock	$ 7.81	$ 6.91	$ 2.91
Income per share—Diluted:			
Common Stock	$ 9.33	$ 8.21	$ 3.44
Income allocated to—Basic:			
Common Stock	$ 150,247	$ 133,802	$ 55,903
Class B Common Stock	$ 28,887	$ 30,093	$ 13,915
Income allocated to—Diluted:			
Common Stock	$ 179,134	$ 163,895	$ 69,837
Weighted average number of shares outstanding—Basic:			
Common Stock	15,385	15,454	15,382
Class B Common Stock	3,697	4,357	4,786
Weighted average number of shares outstanding—Diluted:			
Common Stock	19,196	19,963	20,276

(1) Exclusive of depreciation on the Company’s property, plant and equipment and amortization of its intangible assets.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

UniFirst Corporation and Subsidiaries

Year ended (In thousands)	**August 31, 2019**	**August 25, 2018**	**August 26, 2017**
Net income	$ 179,134	$ 163,895	$ 70,196
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(3,524)	(5,184)	4,882
Pension benefit liabilities, net of income taxes	(5,104)	1,342	2,774
Change in fair value of derivatives, net of income taxes	252	247	(45)
Derivative financial instruments reclassified to earnings	(153)	(46)	(180)
Other comprehensive (loss) income	(8,529)	(3,641)	7,431
Comprehensive income	$ 170,605	$ 160,254	$ 77,627

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheets

UniFirst Corporation and Subsidiaries

(In thousands, except share and par value data)	August 31, 2019	August 25, 2018
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 385,341	$ 270,512
Receivables, less reserves of $9,935 and $9,237, respectively	203,457	200,797
Inventories	100,916	90,176
Rental merchandise in service	184,318	174,392
Prepaid taxes	4,060	27,024
Prepaid expenses and other current assets	35,699	21,899
Total current assets	913,791	784,800
Property, plant and equipment, net	574,509	547,996
Goodwill	401,178	397,422
Customer contracts, net	56,588	67,318
Other intangible assets, net	16,132	15,166
Deferred income taxes	448	425
Other assets	84,674	30,259
Total assets	$ 2,047,320	$ 1,843,386
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 77,918	$ 73,500
Accrued liabilities	111,721	124,225
Accrued taxes	205	736
Total current liabilities	189,844	198,461
Accrued liabilities	117,074	105,888
Accrued and deferred income taxes	99,172	74,070
Total liabilities	406,090	378,419
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred Stock, $1.00 par value; 2,000,000 shares authorized; no shares issued and outstanding	—	—
Common Stock, $0.10 par value; 30,000,000 shares authorized; 15,332,759 and 15,431,209 shares issued and outstanding in 2019 and 2018, respectively	1,533	1,543
Class B Common Stock, $0.10 par value; 20,000,000 shares authorized; 3,643,009 and 3,710,009 shares issued and outstanding in 2019 and 2018, respectively	364	371
Capital surplus	84,946	82,973
Retained earnings	1,588,075	1,405,239
Accumulated other comprehensive loss	(33,688)	(25,159)
Total shareholders' equity	1,641,230	1,464,967
Total liabilities and shareholders' equity	$ 2,047,320	$ 1,843,386

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

UniFirst Corporation and Subsidiaries

(In thousands)	Common Shares	Class B Common Shares	Common Stock	Class B Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance, August 27, 2016	15,415	4,849	$ 1,542	$ 485	$72,561	$1,319,142	$ (28,949)	$1,364,781
Net income	—	—	—	—	—	70,196	—	70,196
Pension benefit liabilities, net (1)	—	—	—	—	—	—	2,774	2,774
Change in fair value of derivatives	—	—	—	—	—	—	(225)	(225)
Foreign currency translation	—	—	—	—	—	—	4,882	4,882
Dividends declared	—	—	—	—	—	(2,900)	—	(2,900)
Shares converted	34	(34)	3	(3)	—	—	—	—
Share-based compensation, net (2)	(47)	—	(5)	—	10,072	—	—	10,067
Share-based awards exercised, net (1) (3)	51	—	5	—	3,612	—	—	3,617
Balance, August 26, 2017	15,453	4,815	$ 1,545	$ 482	$86,245	$1,386,438	$ (21,518)	$1,453,192
Net income	—	—	—	—	—	163,895	—	163,895
Pension benefit liabilities, net (1)	—	—	—	—	—	1,192	1,342	2,534
Change in fair value of derivatives	—	—	—	—	—	—	201	201
Foreign currency translation	—	—	—	—	—	—	(5,184)	(5,184)
Dividends declared	—	—	—	—	—	(5,586)	—	(5,586)
Share-based compensation, net (2)	—	—	—	—	2,204	(738)	—	1,466
Share-based awards exercised, net (1)	51	—	5	—	456	—	—	461
Repurchase of Common Stock	(73)	(1,105)	(7)	(111)	(5,932)	(139,962)	—	(146,012)
Balance, August 25, 2018	15,431	3,710	$ 1,543	$ 371	$82,973	$1,405,239	$ (25,159)	$1,464,967
Net income	—	—	—	—	—	179,134	—	179,134
Pension benefit liabilities, net (1)	—	—	—	—	—	—	(5,104)	(5,104)
Change in fair value of derivatives	—	—	—	—	—	—	99	99
Foreign currency translation	—	—	—	—	—	—	(3,524)	(3,524)
Dividends declared	—	—	—	—	—	(8,243)	—	(8,243)
Shares converted	67	(67)	7	(7)	—		—	—
Share-based compensation, net (2)	—	—	—	—	2,997	—	—	2,997
Share-based awards exercised, net (1)	32	—	3	—	48	—	—	51
Repurchase of Common Stock	(197)	—	(20)	—	(1,072)	(29,423)	—	(30,515)
Cumulative effect of change in accounting principle	—	—	—	—	—	41,368	—	41,368
Balance, August 31, 2019	15,333	3,643	$ 1,533	$ 364	$84,946	$1,588,075	$ (33,688)	$1,641,230

(1) These amounts are shown net of the effect of income taxes.
(2) These amounts are shown net of any shares withheld by the Company to satisfy certain tax withholdings obligations in connection with the vesting of certain shares of restricted stock.
(3) These amounts include excess tax benefits that the Company realized as part of the exercise of share-based awards.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

UniFirst Corporation and Subsidiaries

Year ended (In thousands)	August 31, 2019	August 25, 2018	August 26, 2017
Cash flows from operating activities:			
Net income	$ 179,134	$ 163,895	$ 70,196
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	103,333	96,662	88,879
Amortization of deferred financing costs	112	112	112
Forgiveness of a liability	(7,346)	—	—
Other	(283)	(232)	(567)
Share-based compensation	5,761	4,638	12,462
Accretion on environmental contingencies	755	692	600
Accretion on asset retirement obligations	865	935	853
Impairment charge	—	—	55,800
Deferred income taxes	8,896	(7,861)	955
Changes in assets and liabilities, net of acquisitions:			
Receivables, less reserves	(3,189)	(12,420)	(22,232)
Inventories	(10,736)	(11,051)	1,865
Rental merchandise in service	(10,324)	(21,572)	(5,384)
Prepaid expenses and other current assets and Other assets	(8,011)	(5,643)	12,903
Accounts payable	3,365	4,573	9,594
Accrued liabilities	(1,027)	12,233	11,728
Prepaid and accrued income taxes	20,837	5,112	(19,490)
Net cash provided by operating activities	282,142	230,073	218,274
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(4,919)	(42,665)	(125,457)
Capital expenditures, including capitalization of software costs	(119,815)	(112,747)	(108,554)
Proceeds from sale of assets	405	1,777	876
Other	—	(263)	98
Net cash used in investing activities	(124,329)	(153,898)	(233,037)
Cash flows from financing activities:			
Proceeds from exercise of share-based awards, including excess tax benefits in fiscal 2017	51	461	3,102
Taxes withheld and paid related to net share settlement of equity awards	(2,767)	(3,180)	(2,386)
Repurchase of Common Stock	(30,515)	(146,011)	—
Payment of cash dividends	(8,260)	(4,218)	(2,898)
Net cash used in financing activities	(41,491)	(152,948)	(2,182)
Effect of exchange rate changes	(1,493)	(2,467)	2,902
Net (decrease) increase in cash, cash equivalents and short-term investments	114,829	(79,240)	(14,043)
Cash, cash equivalents and short-term investments at beginning of period	270,512	349,752	363,795
Cash, cash equivalents and short-term investments at end of period	$ 385,341	$ 270,512	$ 349,752
Supplemental disclosure of cash flow information:			
Non-cash capital expenditures	$ 16,244	$ 15,050	$ 10,625
Interest paid	$ 750	$ 538	$ 801
Income taxes paid, net of refunds received	$ 28,354	$ 28,355	$ 62,165

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

UniFirst Corporation and Subsidiaries

1. Summary of Significant Accounting Policies

Business Description

UniFirst Corporation (the "Company") is one of the largest providers of workplace uniforms and protective clothing in the United States. The Company designs, manufactures, personalizes, rents, cleans, delivers, and sells a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. The Company also rents and sells industrial wiping products, floor mats, facility service products and other non-garment items, and provides restroom and cleaning supplies and first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies.

The Company serves businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. The Company also provides its customers with restroom and cleaning supplies, including air fresheners, paper products and hand soaps.

At certain specialized facilities, the Company decontaminates and cleans work clothes and other items that may have been exposed to radioactive materials and services special cleanroom protective wear. Typical customers for these specialized services include government agencies, research and development laboratories, high technology companies and utility providers operating nuclear reactors.

As discussed and described in Note 15, "Segment Reporting", to these Consolidated Financial Statements, the Company has five reporting segments: U.S. and Canadian Rental and Cleaning, Manufacturing ("MFG"), Specialty Garments Rental and Cleaning ("Specialty Garments"), First Aid and Corporate. The operations of the U.S. and Canadian Rental and Cleaning reporting segment are referred to by the Company as its "industrial laundry operations" and the locations related to this reporting segment are referred to as "industrial laundries". The Company refers to its U.S. and Canadian Rental and Cleaning, MFG, and Corporate segments combined as its "Core Laundry Operations".

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation

The Consolidated Financial Statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. There have been no material changes in the accounting policies followed by the Company during the current fiscal year other than the adoption of recent accounting pronouncements as discussed in greater detail in the Recent Accounting Pronouncements sub-section of this Note.

Certain prior year amounts have been reclassified to conform to current year presentation. The Company has reclassified $11.6 million of software from property, plant, and equipment, net to intangible assets as of August 25, 2018. This reclassification did not impact current or historical net income or shareholder's equity.

Use of Estimates

The preparation of these Consolidated Financial Statements is in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") which requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These estimates are based on historical information, current trends, and information available from other sources. Actual results could differ from these estimates.

Fiscal Year

The Company's fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2019 consisted of 53 weeks, and fiscal 2018 and fiscal 2017 both consisted of 52 weeks. The additional week was included in the fourth quarter of fiscal 2019.

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include cash in banks, money market securities, and bank short-term investments having original maturities of twelve months or less. As of August 31, 2019, short-term investments consist of certificates of deposits totaling $4.9 million having original maturities of six and twelve months. As of August 25, 2018, short-term investments consist of certificates of deposits totaling $67.6 million having original maturities of three, six and twelve months.

Accounts receivable

Accounts receivable represents amounts due from customers and is presented net of an allowance for doubtful accounts. The Company utilizes its judgment and estimates are used in determining the collectability of accounts receivable and evaluating the adequacy of the allowance for doubtful accounts. The Company considers specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances as part of its evaluation. When an account is considered uncollectible, it is written off against the allowance for doubtful accounts.

Financial Instruments

The Company's financial instruments, which may expose the Company to concentrations of credit risk, include cash, cash equivalents and short-term investments, receivables and accounts payable. Each of these financial instruments is recorded at cost, which approximates its fair value given the short maturity of each financial instrument.

Revenue Recognition

As discussed and described in greater detail in the Recent Accounting Pronouncements sub-section of this Note, the Company adopted the new revenue recognition guidance on August 26, 2018. As accounted for under the new guidance, approximately 91.6% of the Company's revenues are derived from fees for route servicing of Core Laundry Operations, Specialty Garments and First Aid services performed by the Company's employees at the customer's location of business. Revenues from the Company's route servicing customer contracts represent a single-performance obligation. The Company recognizes these revenues over time as services are performed based on the nature of services provided and contractual rates (input method). Certain of the Company's customer contracts, primarily within the Company's Core Laundry Operations, include pricing terms and conditions that include components of variable consideration. The variable consideration is typically in the form of consideration due to a customer based on performance metrics specified within the contract. Specifically, some contracts contain discounts or rebates that the customer can earn through the achievement of specified volume levels. Each component of variable consideration is earned based on the Company's actual performance during the measurement period specified within the contract. To determine the transaction price, the Company estimates the variable consideration using the most likely amount method, based on the specific contract provisions and known performance results during the relevant measurement period. When determining if variable consideration should be constrained, the Company considers whether factors outside its control could result in a significant reversal of revenue. In making these assessments, the Company considers the likelihood and magnitude of a potential reversal. The Company's performance period generally corresponds with the monthly invoice period. No significant constraints on the Company's revenue recognition were applied during fiscal 2019. The Company reassesses these estimates during each reporting period. The Company maintains a liability for these discounts and rebates within accrued liabilities on the consolidated balance sheets. Variable consideration also includes consideration paid to a customer at the beginning of a contract. The Company capitalizes this consideration and amortizes it over the life of the contract as a reduction to revenue in accordance with the updated accounting guidance for revenue recognition. These assets are included in other assets on the consolidated balance sheets.

The following table presents the Company's revenues for fiscal 2019, disaggregated by service type:

	Years ended					
	August 31, 2019		August 25, 2018		August 26, 2017	
(In thousands, except percentages)	Revenues	% of Revenues	Revenues	% of Revenues	Revenues	% of Revenues
Core Laundry Operations	1,616,205	89.3%	$1,523,648	89.8%	$1,442,149	90.6%
Specialty Garments	132,767	7.3%	118,477	7.0%	98,024	6.2%
First Aid	60,404	3.4%	54,364	3.2%	50,785	3.2%
Total Revenues	$1,809,376	100.0%	$1,696,489	100.0%	$1,590,958	100.0%

During fiscal 2019, the percentage of revenues recognized over time as the services are performed was 95.8% of Core Laundry Operations revenues and 82.7% of Specialty Garments revenues. During fiscal 2019, 4.2% of Core Laundry Operations revenues, 17.3% of Specialty Garments revenues and 100% of First Aid revenues were recognized at a point in time, which generally occurs when the goods are transferred to the customer.

Costs to Obtain a Contract

The Company defers commission expenses paid to its employee-partners when the commissions are deemed to be incremental for obtaining the route servicing customer contract. The deferred commissions are amortized on a straight-line basis over the expected period of benefit. The Company reviews the deferred commission balances for impairment on an ongoing basis. Deferred commissions are classified as current or noncurrent based on the timing of when the Company expects to recognize the expense. The current portion is included in prepaid expenses and other current assets and the non-current portion is included in other assets on the Company's consolidated balance sheets. As of August 31, 2019, the current and non-current assets related to deferred commissions totaled $12.4 million and $50.3 million, respectively. During fiscal 2019, the Company recorded $11.8 million of amortization expense related to deferred commissions. This expense is classified in selling and administrative expenses on the consolidated statements of income.

Inventories and Rental Merchandise in Service

Inventories are stated at the lower of cost or net realizable value, net of any reserve for excess and obsolete inventory. Work-in-process and finished goods inventories consist of materials, labor and manufacturing overhead. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers or used in rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company uses the first-in, first-out ("FIFO") method to value its inventories.

The components of inventory as of August 31, 2019 and August 25, 2018 were as follows (in thousands):

	August 31, 2019	August 25, 2018
Raw materials	$ 23,000	$ 18,508
Work in process	2,864	3,271
Finished goods	75,052	68,397
Total inventory	$ 100,916	$ 90,176

Rental merchandise in service is amortized, primarily on a straight-line basis, over the estimated service lives of the merchandise, which range from six to thirty-six months. The amortization expense is included in the cost of revenues on the Company's Consolidated Statements of Income. In establishing estimated lives for merchandise in service, management considers historical experience and the intended use of the merchandise. Material differences may result in the amount and timing of operating profit for any period if management makes significant changes to these estimates.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for renewals and betterments are capitalized.

The components of property, plant and equipment as of August 31, 2019 and August 25, 2018 were as follows (in thousands):

	August 31, 2019	August 25, 2018
Land, buildings and leasehold equipment	$ 527,419	$ 496,966
Machinery and equipment	565,319	534,469
Motor vehicles	253,841	238,087
	1,346,579	1,269,522
Less: accumulated depreciation	772,070	721,526
Total property, plant and equipment	$ 574,509	$ 547,996

The Company provides for depreciation on the straight-line method based on the date the asset is placed in service using the following estimated useful lives:

Buildings (in years)	30 — 40
Building components (in years)	10 — 20
Leasehold improvements	Shorter of useful life or term of lease
Machinery and equipment (in years)	3 — 10
Motor vehicles (in years)	3 — 5

Long-lived assets, including property, plant and equipment, are evaluated for impairment whenever events or circumstances indicate an asset may be impaired. There were no material impairments of long-lived assets in fiscal 2019 and 2018. During the fourth quarter of fiscal 2017, the Company recognized a non-cash impairment charge in its U.S. and Canadian Rental and Cleaning segment of $55.8 million on its ongoing customer relationship management ("CRM") systems project as the Company determined that it was no longer probable that the version being developed at the end of fiscal 2017 would be placed into service. During fiscal 2018, the previous version of the CRM system being developed was abandoned, and the Company is now working on a new CRM system. Expenditures not impaired for computer software, including amounts capitalized related to the Company's CRM systems project, are included within other intangible assets, net.

Goodwill and Other Intangible Assets

In accordance with U.S. GAAP, the Company does not amortize goodwill. Instead, the Company tests goodwill for impairment on an annual basis. Management completes its annual goodwill impairment test in the fourth quarter of each fiscal year. In addition, U.S. GAAP requires that companies test goodwill if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit to which goodwill is assigned below its carrying amount. The Company used the qualitative assessment option for our impairment testing in fiscal 2019 for goodwill and determined that the fair values of the reporting units more likely than not exceeded their carrying values and that there was no evidence of impairment as of August 31, 2019.

The Company cannot predict future economic conditions and their impact on the Company or the future market value of the Company's stock. A decline in the Company's market capitalization and/or deterioration in general economic conditions could negatively and materially impact the Company's assumptions and assessment of the fair value of the Company's business. If general economic conditions or the Company's financial performance deteriorate, the Company may be required to record a goodwill impairment charge in the future which could have a material impact on the Company's financial condition and results of operations.

Definite-lived intangible assets are amortized over their estimated useful lives, which are based on management's estimates of the period that the assets will generate economic benefits. Definite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable in accordance with U.S. GAAP. There were no impairments of goodwill or indicators of impairment for definite-lived intangible assets in fiscal 2019, 2018 or 2017.

As of August 31, 2019, definite-lived intangible assets have a weighted average useful life of approximately 11.3 years. Customer contracts have a weighted average useful life of approximately 13.6 years and other intangible assets, net, which consist of primarily, restrictive covenants, deferred financing costs, software and trademarks, have a weighted average useful life of approximately 3.3 years.

Environmental and Other Contingencies

The Company is subject to legal proceedings and claims arising from the conduct of its business operations, including environmental matters, personal injury, customer contract matters and employment claims. Accounting principles generally accepted in the United States require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants in its consideration of the relevant facts and circumstances before recording a contingent liability. The Company records accruals for environmental and other contingencies based on enacted laws, regulatory orders or decrees, the Company's estimates of costs, insurance proceeds, participation by other parties, the timing of payments, and the input of outside consultants and attorneys.

The estimated liability for environmental contingencies has been discounted as of August 31, 2019 using risk-free interest rates ranging from 1.5% to 2.0% over periods ranging from ten to thirty years. The estimated current costs, net of legal settlements with insurance carriers, have been adjusted for the estimated impact of inflation at 3% per year. Changes in enacted laws, regulatory orders or decrees, management's estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of the Company's attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities. Refer to Note 11, "Commitments and Contingencies", of these Consolidated Financial Statements for additional discussion and analysis.

Asset Retirement Obligations

Under U.S. GAAP, asset retirement obligations generally apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The Company has recognized as a liability the present value of the estimated future costs to decommission its nuclear laundry facilities. The Company depreciates, on a straight-line basis, the amount added to property, plant and equipment and recognizes accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to twenty-five years.

The estimated liability has been based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 7.0% to 7.5%. Revisions to the liability could occur due to changes in the Company's estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revised estimates will be recognized by adjusting the carrying amount of the liability and the related long-lived asset if the assets are still in service, or charged to expense in the period if the assets are no longer in service.

Insurance

The Company is self-insured for certain obligations related to health, workers' compensation, vehicles and general liability programs. The Company also purchases stop-loss insurance policies for health, workers' compensation, vehicles and general liability programs to protect itself from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for events that have occurred, but have not been reported. The Company's estimates consider historical claims experience and other factors. In certain cases where partial insurance coverage exists, the Company estimates the portion of the liability that will be covered by existing insurance policies to arrive at its net expected liability. Receivables for insurance recoveries are recorded as assets, on an undiscounted basis. The Company's liabilities are based on estimates, and, while the Company believes that its accruals are adequate, the ultimate liability may be significantly different from the amounts recorded. Changes in claims experience, the Company's ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Supplemental Executive Retirement Plan and other Pension Plans

Pension expense is recognized on an accrual basis over employees' estimated service periods. Pension expense is generally independent of funding decisions or requirements.

The Company (1) recognizes in its statement of financial position the over-funded or under-funded status of its defined benefit postretirement plans measured as the difference between the fair value of plan assets and the benefit obligation, (2) recognizes as a component of other comprehensive (loss) income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period but are not recognized as components of net periodic benefit cost, (3) measures defined benefit plan assets and defined benefit plan obligations as of the date of its statement of financial position, and (4) discloses additional information in the notes to financial statements about certain effects on net periodic benefit cost in the upcoming fiscal year that arise from delayed recognition of the actuarial gains and losses and the prior service costs and credits. Refer to Note 7, "Employee Benefit Plans", of these Consolidated Financial Statements for further discussion regarding the Company's pension plans.

The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rates of return on plan assets, the assumed discount rates, assumed rate of compensation increases and life expectancy of participants. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions. Pension expense increases as the expected rate of return on pension plan assets decreases. Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in the Company's pension plans will impact the Company's future pension expense and liabilities. The Company cannot predict with certainty what these factors will be in the future.

Income Taxes

The Company computes income tax expense by jurisdiction based on its operations in each jurisdiction. Deferred income taxes are provided for temporary differences between the amounts recognized for income tax and financial reporting purposes at currently enacted tax rates. The Tax Cuts and Jobs Act of 2017 (the "Act") included a mandatory one-time transition tax on accumulated earnings of foreign subsidiaries and, as a result, previously unremitted earnings for which no U.S. deferred tax liability had been accrued have now been subject to U.S. tax. Deferred tax assets and liabilities are determined by the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities. See Note 4, "Income Taxes" in these Consolidated Financial Statements for the types of items that give rise to significant deferred income tax assets and liabilities. Deferred income taxes are classified as assets or liabilities based on the classification of the related asset or liability for financial reporting purposes. The Company regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets will be realized.

The Company is periodically reviewed by U.S. domestic and foreign tax authorities regarding the amount of taxes due. These reviews typically include inquiries regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, the Company records estimated reserves. Refer to Note 4, "Income Taxes", of these Consolidated Financial Statements for further discussion regarding the Company's accounting for income taxes and its uncertain tax positions for financial accounting purposes.

Advertising Costs

Advertising costs are expensed as incurred and are classified as selling and administrative expenses. The Company incurred advertising costs of $3.6 million, $2.8 million and $3.7 million, for fiscal 2019, 2018 and 2017, respectively.

Share-Based Compensation

Compensation expense for all stock options, stock appreciation rights, unrestricted stock and restricted stock units (collectively, "Share-Based Awards") is recognized ratably over the related vesting period, net of actual forfeitures. Certain Share-Based Awards in the form of stock appreciation rights and shares of unrestricted stock were granted during fiscal 2019, 2018 and 2017 to non-employee Directors of the Company, which were fully vested upon grant and, with respect to stock appreciation rights, expire eight years after the grant date. Accordingly, compensation expense related to these Share-Based Awards in fiscal 2019, 2018 and 2017 were recognized on the date of grant.

For performance-based restricted stock unit awards with revenue and adjusted operating margin targets, we evaluate the probability of meeting the performance criteria at each balance sheet date and if probable, related compensation cost is amortized over the performance period on a straight-line basis because such awards vest only at the end of the measurement period. Changes to the probability assessment and the estimate of shares expected to vest will result in adjustments to the related share-based compensation expense that will be recorded in the period of the change. If the performance targets are not achieved, no compensation cost is recognized and any previously recognized compensation cost is reversed.

U.S. GAAP requires that share-based compensation cost be measured at the grant date based on the fair value of the award and be recognized as expense over the requisite service period, which is generally the vesting period. Determining the fair value of Share-Based Awards in the form of stock appreciation rights at the grant date requires judgment, including estimating expected dividends and share price volatility. The fair value of each Share-Based Award in the form of stock appreciation rights is estimated on the date of grant using the Black-Scholes option pricing model.

The Company recognizes compensation expense for restricted stock and restricted stock unit grants over the related vesting period. The fair value for each restricted stock, unrestricted stock and restricted stock unit grant is determined by using the closing price of the Company's stock on the date of the grant. Refer to Note 12, "Share-Based Compensation", of these Consolidated Financial Statements for further discussion regarding the Company's share-based compensation plans.

Income Per Share

The Company calculates income per share by allocating income to its unvested participating securities as part of its income per share calculations.

The Class B Common Stock may be converted at any time on a one-for-one basis into Common Stock at the option of the holder of the Class B Common Stock. Diluted income per share for the Company's Common Stock assumes the conversion of all of the Company's Class B Common Stock into Common Stock, full vesting of outstanding restricted stock, and the exercise of Share-Based Awards under the Company's stock incentive plans.

The following table sets forth the computation of basic income per share using the two-class method for amounts attributable to the Company's shares of Common Stock and Class B Common Stock (in thousands, except per share data):

Year ended	**August 31, 2019**	**August 25, 2018**	**August 26, 2017**
Net income available to shareholders	$ 179,134	$ 163,895	$ 70,196
Allocation of net income for Basic:			
Common Stock	$ 150,247	$ 133,802	$ 55,903
Class B Common Stock	28,887	30,093	13,915
Unvested participating shares	—	—	378
	$ 179,134	$ 163,895	$ 70,196
Weighted average number of shares for Basic:			
Common Stock	15,385	15,454	15,382
Class B Common Stock	3,697	4,357	4,786
Unvested participating shares	—	—	116
	19,082	19,811	20,284
Income per share for Basic:			
Common Stock	$ 9.77	$ 8.66	$ 3.63
Class B Common Stock	$ 7.81	$ 6.91	$ 2.91

The Company is required to calculate the diluted income per share for Common Stock using the more dilutive of the following two methods:

- The treasury stock method; or
- The two-class method assuming a participating security is not exercised or converted.

For the years ended August 31, 2019, August 25, 2018 and August 26, 2017, the Company's diluted income per share assumes the conversion of all vested Class B Common Stock into Common Stock and uses the two-class method for its unvested participating shares. The following table sets forth the computation of diluted income per share of Common Stock for the years ended August 31, 2019, August 25, 2018 and August 26, 2017 (in thousands, except per share data):

	Year Ended August 31, 2019			Year Ended August 25, 2018			Year Ended August 26, 2017		
	Earnings to Common shareholders	Common Shares	Income Per Share	Earnings to Common shareholders	Common Shares	Income Per Share	Earnings to Common shareholders	Common Shares	Income Per Share
As reported—Basic	$ 150,247	15,385	$ 9.77	$ 133,802	15,454	$ 8.66	$ 55,903	15,382	$ 3.63
Add: effect of dilutive potential common shares									
Share-Based Awards	—	114		—	152		—	108	
Class B Common Stock	28,887	3,697		30,093	4,357		13,915	4,786	
Add: Undistributed earnings allocated to unvested participating shares	—	—		—	—		362	—	
Less: Undistributed earnings reallocated to unvested participating shares	—	—		—	—		(343)	—	
Diluted Income Per Share—Common Stock	$ 179,134	19,196	$ 9.33	$ 163,895	19,963	$ 8.21	$ 69,837	20,276	$ 3.44

Share-Based Awards that would result in the issuance of 8,325, 4,972 and 16 shares, respectively, of Common Stock were excluded from the calculation of diluted earnings per share for the fiscal 2019, 2018 and 2017 because they were anti-dilutive.

Foreign Currency Translation

The functional currency of our foreign operations is the local country's currency. Transaction gains and losses, including gains and losses on our intercompany transactions, are included in other (income) expense in the accompanying Consolidated Statements of Income. Assets and liabilities of operations outside the United States are translated into U.S. dollars using period-end exchange rates. Revenues and expenses are translated at the average exchange rates in effect during each month of the fiscal year. The effects of foreign currency translation adjustments are included in shareholders' equity as a component of accumulated other comprehensive loss in the accompanying Consolidated Balance Sheets.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued updated accounting guidance for revenue recognition, which it has subsequently modified. This modified update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard includes cost guidance, whereby all direct and incremental costs to obtain or fulfill a contract will be capitalized and amortized over the corresponding period of benefit, determined on a contract by contract basis. This guidance is also intended to improve disclosure requirements and enhance the comparability of revenue recognition practices. Improved disclosures under the amended guidance relate to the nature, amount, timing and uncertainty of revenue that is recognized from contracts with customers. The Company adopted the standard on August 26, 2018 using the modified retrospective adoption method. Upon adoption of this guidance, the Company recorded an adjustment to the opening balance of retained earnings as of August 26, 2018. The adoption of the standard did not have any material impact to the timing or measurement of revenues. The adjustment to retained earnings relates to the capitalization of certain direct and incremental contract costs required by the new guidance, net of the related income tax effect. Capitalized costs are amortized ratably over the anticipated period of benefit. The Company applied the new guidance to all contracts as of August 26, 2018. Results for reporting periods beginning after August 25, 2018 are presented under the new guidance, while comparative prior period amounts have not been restated and continue to be presented under accounting standards in effect in those periods.

Capitalization of Contract Costs. The Company has elected to apply the guidance, as a practical expedient, to a portfolio of contracts (or performance obligations) with similar characteristics because the Company reasonably expects that the effects on the Consolidated Financial Statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within the portfolio. The Company also continues to expense certain costs to obtain a contract if those costs do not meet the criteria of the new standard or the amortization period of the asset would have been one year or less.

The cumulative effect of applying the new guidance was recorded as an adjustment to retained earnings as of the adoption date. As a result of applying the modified retrospective method to adopt the new revenue guidance, the adjustments set forth in the table below were made to accounts on the consolidated balance sheet as of August 26, 2018:

Consolidated Balance Sheet (In thousands)	**August 25, 2018**	**Capitalization of Contract Costs**	**August 26, 2018**
Assets			
Prepaid expenses and other current assets	$ 21,899	$ 11,389	$ 33,288
Total current assets	784,800	11,389	796,189
Other assets	30,259	44,405	74,664
Total assets	$ 1,843,386	$ 55,794	$ 1,899,180
Liabilities and shareholders' equity			
Accrued and deferred income taxes	$ 74,070	$ 14,427	$ 88,497
Total liabilities	378,419	14,427	392,846
Retained earnings	1,405,239	41,367	1,446,606
Total shareholders' equity	1,464,967	41,367	1,506,334
Total liabilities and shareholders' equity	$ 1,843,386	$ 55,794	$ 1,899,180

The impacts of adopting this standard on the fiscal 2019 Consolidated Financial Statements are presented in the following tables:

	Year Ended August 31, 2019		
Consolidated Statement of Income (In thousands, except per share data)	**As Reported**	**Under Historical Guidance**	**Impact of Adopting New Revenue Standard**
Operating expenses:			
Selling and administrative expenses	$ 334,840	$ 341,795	$ (6,955)
Total operating expenses	1,577,368	1,584,323	(6,955)
Operating income	232,008	225,053	6,955
Income before income taxes	237,924	230,969	6,955
Provision for income taxes	58,790	57,010	1,780
Net income	$ 179,134	$ 173,959	$ 5,175
Income per share – Diluted:	$ 9.33	$ 9.06	$ 0.27

Consolidated Balance Sheet (In thousands)	Balance at August 31, 2019 As Reported	Under Historical Guidance	Impact of Adopting New Revenue Standard
Assets			
Prepaid expenses and other current assets	$ 35,699	$ 23,285	$ 12,414
Total current assets	913,791	901,377	12,414
Other assets	84,674	34,339	50,335
Total assets	$ 2,047,320	$ 1,984,571	$ 62,749
Liabilities and shareholders' equity			
Accrued and deferred income taxes	$ 99,172	$ 83,114	$ 16,058
Total liabilities	406,090	390,032	16,058
Retained earnings	1,588,075	1,541,384	46,691
Total shareholders' equity	1,641,230	1,594,539	46,691
Total liabilities and shareholders' equity	$ 2,047,320	$ 1,984,571	$ 62,749

The adoption of this standard had no impact on the Company's fiscal 2019 operating cash flow with the exception of the impact to net income as presented in the tables above.

In January 2016, the FASB issued updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. Accordingly, the Company adopted this standard on August 26, 2018. The adoption of this guidance did not have a material impact on the Company's financial statements.

In February 2016, the FASB issued updated guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. This new guidance is effective for reporting periods beginning after December 15, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in their financial statements. The Company adopted the new guidance on September 1, 2019. In accordance with Topic 842, a registrant can elect not to present comparative financial information under Topic 842 if it recognizes a cumulative-effect adjustment to retained earnings upon adoption. The Company intends to make this transition election. The majority of the Company's lease spend relates to certain real estate with the remaining lease spend primarily related to vehicles and equipment. In addition to the new qualitative and quantitative disclosures that will be required upon adoption of this standard, the Company anticipates recognizing lease assets and liabilities on the balance sheet in the range of approximately $40.0 million to $50.0 million, based on the Company's portfolio of leases at August 31, 2019. The Company does not expect a material impact on its consolidated statements of income or consolidated statements of cash flows. The Company is substantially complete with its implementation efforts.

In August 2016, the FASB issued updated guidance that reduces diversity in how certain cash receipts and cash payments are presented and classified in the Consolidated Statements of Cash Flows. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied retrospectively, with early adoption permitted. Accordingly, the Company adopted this guidance on August 26, 2018. The adoption of this guidance did not have a material impact on its financial statements.

In June 2016, the FASB issued updated guidance that introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments including trade receivables. The estimate of expected credit losses will require entities to incorporate historical information, current information and reasonable and supportable forecasts. This guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. Accordingly, the guidance will be effective for the Company on August 30, 2020. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

In October 2016, the FASB issued updated guidance to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied on a modified retrospective basis, with early adoption permitted. Accordingly, the Company adopted this standard on August 26, 2018. The adoption of this guidance did not have a material impact on its financial statements.

In March 2017, the FASB issued updated guidance that requires a change in the presentation of net periodic benefit cost on the consolidated statements of operations. Specifically, entities must present the service cost component of net periodic benefit cost in the same financial statement line items as other compensation costs arising from services rendered by the related employees during the period, whereas the non-service components of net periodic benefit cost must be presented separately from the financial statement line items that include service cost and outside of operating income. The Company's adoption of this guidance on August 26, 2018 did not have a material impact on its financial statements.

In August 2017, the FASB issued guidance that expands component and fair value hedging, specifies the presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The accounting update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted, and is to be applied on a modified retrospective basis. The Company elected to early adopt this guidance in the first quarter of fiscal 2019. The adoption of this guidance did not have a material impact on its financial statements.

In August 2018, the FASB issued updated guidance to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance will be effective for annual reporting periods, and any interim periods within those annual periods, ending after December 15, 2020 and will be required to be applied on a retrospective basis, with early adoption permitted. Accordingly, the standard will be effective for the Company on August 29, 2021. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

In August 2018, the FASB issued guidance that addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Accordingly, the guidance will be effective for the Company on August 30, 2020. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

2. Acquisitions

During the fiscal year ended August 31, 2019, the Company completed six business acquisitions with an aggregate purchase price of approximately $5.7 million. The initial allocations of the purchase prices are incomplete with respect to certain assets acquired. The results of operations of these acquisitions have been included in the Company's consolidated financial results since their respective acquisition dates. These acquisitions were not significant in relation to the Company's consolidated financial results and, therefore, pro forma financial information has not been presented.

Aggregate information relating to the acquisition of businesses which were accounted for as purchases is as follows (in thousands, except number of businesses acquired):

Year ended	**August 31, 2019**	**August 25, 2018**	**August 26, 2017**
Number of businesses acquired	6	9	6
Tangible assets acquired	$ 322	$ 7,743	$ 26,174
Intangible assets and goodwill acquired	5,391	34,110	101,530
Liabilities assumed	—	(95)	(2,156)
Acquisition of businesses	$ 5,713	$ 41,758	$ 125,548

Tangible assets acquired primarily relate to accounts receivable, inventory, prepaid expenses and property, plant and equipment. Liabilities assumed primarily relate to accounts payable and accrued liabilities.

The amount assigned to intangible assets acquired was based on their respective fair values determined as of the acquisition date. The excess of the purchase price over the tangible and intangible assets was recorded as goodwill. In fiscal 2019, 2018 and 2017, the goodwill was primarily allocated to the U.S. and Canadian Rental and Cleaning segment and is deductible for tax purposes.

In September 2019, the Company completed an acquisition for approximately $38.2 million. The all-cash transaction was structured as an asset acquisition, with the Company acquiring substantially all of the acquired company's industrial laundry, industrial uniform rental and industrial direct sales assets.

3. Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value and establishes disclosure requirements about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We considered non-performance risk when determining fair value of our derivative financial instruments.

The fair value hierarchy prescribed under U.S. GAAP contains three levels as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models , discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

	As of August 31, 2019			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents	$ 214,038	$ —	$ —	$ 214,038
Pension plan assets		4,603		4,603
Foreign currency forward contracts	—	254	—	254
Total assets at fair value	$ 214,038	$ 4,857	$ —	$ 218,895

	As of August 25, 2018			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents	$ 103,190	$ —	$ —	$ 103,190
Pension plan assets	—	6,325	—	6,325
Foreign currency forward contracts	—	127	—	127
Total assets at fair value	$ 103,190	$ 6,452	$ —	$ 109,642

The Company's cash equivalents listed above represent money market securities and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The Company does not adjust the quoted market price for such financial instruments.

The Company's pension plan assets listed above represent guaranteed deposit accounts that are maintained and operated by Prudential Retirement Insurance and Annuity Company ("PRIAC"). All assets are merged with the general assets of PRIAC and are invested predominantly in privately placed securities and mortgages. At the beginning of each calendar year, PRIAC notifies the Company of the annual rates of interest which will be applied to the amounts held in the guaranteed deposit account during the next calendar year. In determining the interest rate to be applied, PRIAC considers the investment performance of the underlying assets of the prior year; however, regardless of the investment performance the Company is contractually guaranteed a minimum rate of return. As such, the Company's pension plan assets are included within Level 2 of the fair value hierarchy.

The Company's foreign currency forward contracts represent contracts the Company has entered into to exchange Canadian dollars for U.S. dollars at fixed exchange rates in order to manage its exposure related to certain forecasted Canadian dollar denominated sales of one of its subsidiaries. These contracts are included in prepaid expenses and other current assets and other long-term assets as of August 31, 2019 and August 25, 2018. The fair value of the forward contracts is based on similar exchange traded derivatives and are, therefore, included within Level 2 of the fair value hierarchy.

4. Income Taxes

The provision / (benefit) for income taxes consists of the following (in thousands):

Fiscal year	2019	2018	2017
Current:			
Federal	$ 38,545	$ 23,815	$ 37,027
Foreign	(200)	527	1,995
State	11,733	8,012	6,642
Total current	$ 50,078	$ 32,354	$ 45,664
Deferred:			
Federal	$ 7,289	$ (11,517)	$ (520)
Foreign	645	363	123
State	778	2,151	(340)
Total deferred	$ 8,712	$ (9,003)	$ (737)
Total	$ 58,790	$ 23,351	$ 44,927

The following table reconciles the provision for income taxes using the statutory federal income tax rate to the actual provision for income taxes:

Fiscal year	2019	2018	2017
Income taxes at the statutory federal income tax rate	21.0%	25.9%	35.0%
State income taxes	4.3	4.1	3.5
Other	(0.6)	(2.8)	0.5
Deemed Repatriation of Non—U.S. Earnings, net foreign tax credits and other (collectively, Transition Tax)	—	1.4	—
Impact of U.S. tax reform federal tax rate reduction	—	(16.1)	—
Total	24.7%	12.5%	39.0%

The components of deferred income taxes included on the consolidated balance sheets are as follows (in thousands):

	August 31, 2019	August 25, 2018
Deferred Tax Assets		
Payroll and benefit related	$ 15,929	$ 14,718
Insurance related	11,948	10,880
Environmental	7,093	6,593
Accrued expenses	2,164	3,513
Other	7,301	7,440
Total deferred tax assets	$ 44,435	$ 43,144
Deferred Tax Liabilities		
Payroll and benefit related	$ 16,056	$ —
Tax in excess of book depreciation	42,691	39,877
Purchased intangible assets	29,633	27,206
Rental merchandise in service	46,649	44,508
Other	290	318
Total deferred tax liabilities	135,319	111,909
Net deferred tax liability	$ 90,884	$ 68,765

The Company regularly reviews deferred tax assets for recoverability based upon projected future taxable income and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets will be realized.

U.S. Tax Reform

The Act enacted on December 22, 2017, among other matters, reduced the U.S. federal corporate income tax rate from 35.0% to 21.0%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and created new taxes on certain foreign sourced earnings.

On December 22, 2017, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") directing SEC registrants to consider the impact of the U.S. legislation as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, during fiscal 2018 the Company recorded its best estimates based on its interpretation of the U.S. legislation while it continued to accumulate data to finalize the underlying calculations. This resulted in the Company recording a provisional net income tax benefit of $20.1 million for the fiscal year ended August 25, 2018 related to remeasuring its U.S. net deferred tax liabilities at the lower tax rate and the one-time transition tax.

As a result of the Act, U.S. corporations are subject to lower income tax rates. For the fiscal year ended August 31, 2019, the statutory tax rate for the period was 21.0% compared to the applicable blended statutory tax rate of 25.9% for the corresponding period in the prior year.

During the second quarter of fiscal 2019, the Company completed its accounting for the tax effects of enactment of the Act as required by SAB 118. There were no changes from the provisional calculation as recorded through August 25, 2018 to the final calculation.

Effective tax rate

The Company's effective tax rate for the fiscal year ended August 31, 2019 was 24.7% as compared to 12.5% for the corresponding period in the prior year. The increase in the effective tax rate was primarily due to the impact of the Act, which required us to remeasure our U.S net deferred income tax liabilities in fiscal 2018.

Foreign tax effects

The Act subjects a U.S. shareholder to tax on GILTI, defined below, earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income* ("GILTI"), states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a current period expense only. The Company will account for GILTI in the year the tax is incurred as a current period expense.

As of August 31, 2019, unremitted foreign earnings, have been retained by the Company's foreign subsidiaries for indefinite reinvestment. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company could be subject to immaterial withholding taxes payable to the various foreign countries.

Uncertain tax positions

As of August 31, 2019 and August 25, 2018, there was $7.7 million and $2.2 million, respectively, of unrecognized tax benefits, of which $7.0 million and $1.9 million, respectively, would favorably impact the Company's effective tax rate, if recognized. The Company recognized interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods. As of August 31, 2019 and August 25, 2018, the Company had accrued a total of $0.2 million and $0.1 million, respectively, in interest and penalties, in its long-term accrued liabilities. For the years ended August 31, 2019, August 25, 2018 and August 26, 2017 the Company recognized a nominal expense in its Consolidated Statement of Income related to interest and penalties.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at August 26, 2017	$	4,214
Additions based on tax positions related to the current year		487
Additions for tax positions of prior years		—
Reductions for tax positions of prior years		(2,073)
Statute expirations		(430)
Balance at August 25, 2018		2,198
Additions based on tax positions related to the current year		329
Additions for tax positions of prior years		5,535
Statute expirations		(394)
Balance at August 31, 2019	$	7,668

The Company has a significant portion of its operations in the United States and Canada. It is required to file federal income tax returns as well as state income tax returns in a majority of the U.S. states and also in the Canadian provinces of Alberta, British Columbia, Ontario, Saskatchewan, Quebec and New Brunswick. At times, the Company is subject to audits in these jurisdictions, which typically are complex and can require several years to resolve. The final resolution of any such tax audits could result in either a reduction in the Company's accruals or an increase in its income tax provision, both of which could have a material impact on the consolidated results of operations in any given period.

All U.S. and Canadian federal income tax statutes have lapsed for filings up to and including fiscal years 2014 and 2011, respectively. With a few exceptions, the Company is no longer subject to state and local income tax examinations for periods prior to fiscal 2015. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change significantly in the next 12 months.

5. Loans Payable and Long-term Debt

As of August 31, 2019 and August 25, 2018, the Company had no outstanding loans payable.

The Company has a $250.0 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks, which matures on April 11, 2021. Under the Credit Agreement, the Company is able to borrow funds at variable interest rates based on, at its election, the Eurodollar rate or a base rate, plus in each case a spread based on the Company's consolidated funded debt ratio. Availability of credit requires compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the Credit Agreement. The Company tests its compliance with these financial covenants on a fiscal quarterly basis. As of August 31, 2019, the interest rates applicable to the Company's borrowings under the Credit Agreement would be calculated as LIBOR plus 75 basis points at the time of the respective borrowing. As of August 31, 2019, the Company had no outstanding borrowings and had outstanding letters of credit amounting to $71.8 million, leaving $178.2 million available for borrowing under the Credit Agreement.

As of August 31, 2019, the Company was in compliance with all covenants under the Credit Agreement.

6. Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments to mitigate its exposure to fluctuations in foreign currencies on certain forecasted transactions denominated in foreign currencies. U.S. GAAP requires that all of the Company's derivative instruments be recorded on the balance sheet at fair value. All subsequent changes in a derivative's fair value are recognized in income, unless specific hedge accounting criteria are met.

Derivative instruments that qualify for hedge accounting are classified as a hedge of the variability of cash flows to be received or paid related to a recognized asset, liability or forecasted transaction. Changes in the fair value of a derivative that is highly effective and designated as a cash flow hedge are recognized in accumulated other comprehensive (loss) income until the hedged item or forecasted transaction is recognized in earnings. The Company performs an assessment at the inception of the hedge and on a quarterly basis thereafter, to determine whether its derivatives are highly effective in offsetting changes in the value of the hedged items. Any changes in the fair value resulting from hedge ineffectiveness are immediately recognized as income or expense.

In January 2015, the Company entered into sixteen forward contracts to exchange Canadian dollars ("CAD") for U.S. dollars at fixed exchange rates in order to manage its exposure related to certain forecasted CAD denominated sales of one of its subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of the Company's domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of fiscal 2015 and continuing through the second fiscal quarter of the fiscal year ended August 31, 2019. In total, the Company sold approximately 31.0 million CAD at an average Canadian-dollar exchange rate of 0.7825 over these quarterly periods. The Company concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP. Accordingly, the Company reflected all changes in the fair value of the forward contracts in accumulated other comprehensive loss, a component of shareholders' equity. Upon the maturity of each foreign exchange forward contract, the gain or loss on the contract was recorded as an adjustment to revenues.

In June 2018, the Company entered into twelve forward contracts to exchange CAD for U.S. dollars at fixed exchange rates in order to manage its exposure related to certain forecasted CAD denominated sales of one of its subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of the Company's domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of 2019 and continuing through the second fiscal quarter of 2022. In total, the Company will sell approximately 12.1 million CAD at an average Canadian-dollar exchange rate of 0.7814 over these quarterly periods. The Company concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP.

As of August 31, 2019, the Company had forward contracts with a notional value of approximately $9.5 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding $0.2 million gain in accumulated other comprehensive loss, which was recorded net of tax. For the fiscal year ended August 31, 2019, the Company reclassified $0.2 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that results in a decrease to accumulated other comprehensive loss as of August 31, 2019 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

7. Employee Benefit Plans

Defined Contribution Retirement Savings Plan

The Company has a defined contribution retirement savings plan with a 401(k) feature for all eligible U.S. and Canadian employees not under collective bargaining agreements. The Company matches a portion of the employee's contribution and may make an additional contribution at its discretion. Contributions charged to expense under the plan for fiscal 2019, 2018 and 2017 were $19.7 million, $18.1 million and $15.0 million, respectively.

Pension Plans and Supplemental Executive Retirement Plans

The Company accounts for its pension plans and Supplemental Executive Retirement Plan on an accrual basis over employees' estimated service periods.

The Company maintains an unfunded Supplemental Executive Retirement Plan ("SERP") for certain eligible employees of the Company. The benefits are based on the employee's compensation upon retirement. The amount charged to expense related to this plan amounted to approximately $2.1 million, $2.1 million and $2.5 million for fiscal 2019, 2018 and 2017, respectively.

The Company maintains a non-contributory defined benefit pension plan ("UniFirst Plan") covering employees at one of its locations. The benefits are based on years of service. The UniFirst Plan assets are invested in a Guaranteed Deposit Account ("GDA") that is maintained and operated by Prudential Retirement Insurance and Annuity Company ("PRIAC"). All assets are merged with the general assets of PRIAC and are invested predominantly in privately placed securities and mortgages. At the beginning of each calendar year, PRIAC notifies the Company of the annual rates of interest which will be applied to the amounts held in the Guaranteed Deposit Account during the next calendar year. In determining the interest rate to be applied, PRIAC considers the investment performance of the underlying assets of the prior year; however, regardless of the investment performance the annual interest rate applied per the contract must be a minimum of 3.25%. The amount charged to expense related to this plan amounted to approximately $0.3 million, $0.3 million and $0.5 million for fiscal 2019, 2018 and 2017.

In connection with one of the Company's acquisitions, the Company assumed liabilities related to a frozen pension plan covering many of the acquired Company's former employees ("Textilease Plan"). The pension benefits are based on years of service and the employee's compensation. The Textilease Plan assets are held in a separate GDA with PRIAC; however the minimum interest rate per the Textilease Plan contract is 1.5%. The amount charged to expense related to this plan amounted to approximately $0.5 million, $0.2 million and $0.2 million, respectively, for fiscal 2019, 2018 and 2017.

The Company refers to its UniFirst Plan and Textilease Plan collectively as its "Pension Plans".

The components of net periodic benefit cost related to the Company's Pension Plans and SERP for fiscal 2019, 2018 and 2017 were as follows (in thousands):

	Pension Plans			SERP		
	2019	2018	2017	2019	2018	2017
Service cost	$ 114	$ 115	$ 271	$ 725	$ 694	$ 785
Interest cost	260	257	244	1,148	1,027	1,003
Expected return on assets	(199)	(174)	(189)	—	—	—
Amortization of prior service cost	66	66	83	—	—	56
Amortization of unrecognized loss	51	102	149	247	362	653
Other events	503	96	125	—	—	—
Net periodic benefit cost	$ 795	$ 462	$ 683	$ 2,120	$ 2,083	$ 2,497

The Company's obligations and funded status related to its Pension Plans and SERP as of August 31, 2019 and August 25, 2018 were as follows (in thousands):

	Pension Plans		SERP	
	2019	2018	2019	2018
Change in benefit obligation:				
Projected benefit obligation, beginning of year	$ 7,449	$ 8,382	$ 27,547	$ 28,801
Service cost	114	115	725	694
Interest cost	260	257	1,148	1,027
Actuarial loss (gain)	163	(673)	7,456	(2,129)
Benefits paid	(50)	(84)	(909)	(846)
Settlements	(2,370)	(548)	—	—
Projected benefit obligation, end of year	$ 5,566	$ 7,449	$ 35,967	$ 27,547
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 6,325	$ 5,097	$ —	$ —
Actual return on plan assets	170	72	—	—
Employer contributions	528	1,788	—	—
Benefits paid	(50)	(84)	—	—
Settlements	(2,370)	(548)	—	—
Fair value of plan assets, end of year	$ 4,603	$ 6,325	$ —	$ —
Funded status (net amount recognized):	$ (963)	$ (1,124)	$ (35,967)	$ (27,547)

As of August 31, 2019 and August 25, 2018, the accumulated benefit obligations for the Company's Pension Plans were $5.6 million and $7.4 million, respectively. As of August 31, 2019 and August 25, 2018, the accumulated benefit obligations for the Company's SERP were $27.4 million and $21.7 million, respectively.

The amounts recorded on the Consolidated Balance Sheet for the Company's Pension Plans and SERP as of August 31, 2019 and August 25, 2018 were as follows (in thousands):

	Pension Plans		SERP	
	2019	2018	2019	2018
Deferred tax assets	$ 254	$ 362	$ 2,912	$ 1,081
Accrued liabilities	$ 963	$ 1,124	$ 35,967	$ 27,547
Accumulated other comprehensive loss	$ (741)	$ (1,037)	$ (8,509)	$ (3,098)

As of August 31, 2019 and August 25, 2018, the amounts recognized in accumulated other comprehensive loss for the Company's Pension Plans and SERP were as follows (in thousands):

	Pension Plans		SERP	
	2019	2018	2019	2018
Net actuarial loss	$ (549)	$ (797)	$ (8,509)	$ (3,098)
Unrecognized prior service cost	(192)	(240)	—	—
Accumulated other comprehensive loss	$ (741)	$ (1,037)	$ (8,509)	$ (3,098)

The weighted average assumptions used in calculating the Company's projected benefit obligation as of August 31, 2019 and August 25, 2018, were as follows:

	Pension Plans		SERP	
	2019	2018	2019	2018
Discount rate	2.7%	3.9%	2.9%	4.0%
Rate of compensation increase	N/A	N/A	5.0%	5.0%

The weighted average assumptions used in calculating the Company's net periodic service cost for the years ended August 31, 2019, August 25, 2018 and August 26, 2017, were as follows:

	Pension Plans			SERP		
	2019	2018	2017	2019	2018	2017
Discount rate	3.8%	3.2%	2.9%	4.0%	3.6%	3.3%
Expected return on plan assets	3.5%	3.5%	3.9%	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	5.0%	5.0%	5.0%

The following benefit payments, which reflect expected future service, that are expected to be paid for the five fiscal years subsequent to August 31, 2019 and thereafter are as follows (in thousands):

	Pension Plans	SERP
2020	$ 960	$ 1,125
2021	189	1,125
2022	250	1,340
2023	317	1,338
2024	307	1,513
Thereafter	3,543	29,526
Total benefit payments	$ 5,566	$ 35,967

8. Goodwill and Other Intangible Assets

As discussed in Note 2, "Acquisitions", when the Company acquires a business the amount assigned to the tangible assets and liabilities and intangible assets acquired is based on their respective fair values determined as of the acquisition date. The excess of the purchase price over the tangible assets and liabilities and intangible assets is recorded as goodwill. The following details the changes in the Company's intangible assets and goodwill related to the Company's acquisitions for the years ended August 31, 2019 and August 25, 2018 as well as the respective periods over which the assets will be amortized (in thousands, except weighted average life in years). These amounts include additional payments associated with prior year acquisitions as well as changes to acquisition purchase allocations that had not been finalized as of the end of the prior fiscal year:

Year ended	August 31, 2019	Weighted Average Life in Years	August 25, 2018	Weighted Average Life in Years
Goodwill	$ 3,885	N/A	$ 21,500	N/A
Customer contracts	1,070	10.0	11,707	14.9
Other intangible assets	118	3.0	906	6.1
Total intangible assets and goodwill acquired	$ 5,073		$ 34,113	

The Company does not amortize goodwill, but it is reviewed annually or more frequently if certain indicators arise, for impairment. There were no impairment losses related to goodwill or intangible assets during the years ended August 31, 2019, August 25, 2018 or August 26, 2017.

The changes in the carrying amount of goodwill are as follows (in thousands):

Balance as of August 26, 2017	$	376,110
Goodwill recorded during the period		21,500
Other		(188)
Balance as of August 25, 2018	$	397,422
Goodwill recorded during the period		3,885
Other		(129)
Balance as of August 31, 2019	$	401,178

As of August 31, 2019, the Company has allocated $385.8 million, $11.0 million and $4.4 million of goodwill to its U.S. and Canadian Rental and Cleaning, Specialty Garments and First Aid segments, respectively.

Intangible assets, net in the Company's accompanying Consolidated Balance Sheets are as follows (in thousands):

	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
August 31, 2019						
Customer contracts	$	221,306	$	164,718	$	56,588
Software		48,838		34,813		14,025
Other intangible assets		35,063		32,956		2,107
	$	305,207	$	232,487	$	72,720
August 25, 2018						
Customer contracts	$	220,303	$	152,985	$	67,318
Software		41,885		30,305		11,580
Other intangible assets		35,030		31,444		3,586
	$	297,218	$	214,734	$	82,484

Estimated amortization expense for the five fiscal years subsequent to August 31, 2019 and thereafter, based on intangible assets, net as of August 31, 2019 is as follows (in thousands):

2020		15,723
2021		11,881
2022		8,231
2023		6,670
2024		5,613
Thereafter		24,602
Total estimated amortization expense	$	72,720

9. Accrued Liabilities

Accrued liabilities in the accompanying Consolidated Balance Sheet consists of the following (in thousands):

	August 31, 2019	August 25, 2018
Current liabilities:		
Payroll and benefit related	$ 36,634	$ 41,034
Bonuses	14,288	19,308
Insurance related	31,778	29,407
Environmental related	9,785	9,321
Other	19,236	25,155
Total current liabilities	$ 111,721	$ 124,225
Long-term liabilities:		
Benefit related	$ 35,883	$ 27,613
Environmental related	17,933	16,165
Asset retirement obligations	12,727	13,668
Insurance related	50,531	48,442
Total long-term liabilities	$ 117,074	$ 105,888
Total accrued liabilities	$ 228,795	$ 230,113

10. Asset Retirement Obligations

Asset retirement obligations generally result from legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Accordingly, the Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company continues to depreciate, on a straight-line basis, the amount added to property, plant and equipment and recognizes accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to twenty-five years.

The Company recognized as a liability the present value of the estimated future costs to decommission its nuclear laundry facilities. The estimated liability is based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 7.0% to 7.5% over approximately one to twenty-five years. Revisions to the liability could occur due to changes in the Company's estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revised estimates will be recognized by adjusting the carrying amount of the liability and the related long-lived asset if the assets are still in service, or charged to expense in the period if the assets are no longer in service.

A rollforward of the Company's asset retirement liability is as follows for fiscal 2019 and 2018 (in thousands):

	August 31, 2019	August 25, 2018
Beginning balance	$ 13,668	$ 13,400
Accretion expense	865	935
Effect of exchange rate changes	(165)	(108)
Change in estimate	(1,641)	(559)
Ending balance	$ 12,727	$ 13,668

The Company's asset retirement obligations are included in current and long-term accrued liabilities in the accompanying Consolidated Balance Sheet.

11. Commitments and Contingencies

Lease Commitments

The Company leases certain buildings and equipment from independent parties. Total rent expense on all leases was $16.5 million, $14.8 million and $13.6 million for the fiscal 2019, 2018 and 2017, respectively. Annual minimum lease commitments for the next five fiscal years and thereafter are as follows (in thousands):

2020		13,560
2021		10,728
2022		7,465
2023		5,907
2024		3,528
Thereafter		2,625
Total lease commitments	$	43,813

Environmental and Legal Contingencies

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry-cleaning solvents. The Company is attentive to the environmental concerns surrounding the disposal of these materials and has, through the years, taken measures to avoid their improper disposal. Over the years, the Company has settled, or contributed to the settlement of, actions or claims brought against the Company relating to the disposal of hazardous materials and there can be no assurance that the Company will not have to expend material amounts to remediate the consequences of any such disposal in the future.

U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants in its consideration of the relevant facts and circumstances before recording a contingent liability. Changes in enacted laws, regulatory orders or decrees, management's estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of the Company's attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from, such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon the Company under such laws or expose the Company to third-party actions such as tort suits. The Company continues to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina.

The Company has accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. The Company has potential exposure related to a parcel of land (the "Central Area") related to the Woburn, Massachusetts site mentioned above. Currently, the consent decree for the Woburn site does not define or require any remediation work in the Central Area. The United States Environmental Protection Agency (the "EPA") has provided the Company and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. The Company, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA's comments remain to be resolved. The Company has accrued costs to perform certain work responsive to the EPA's comments. Additionally, the Company has implemented mitigation measures and continues to monitor environmental conditions at the Somerville, Massachusetts site. The Company has received a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that the Company made in 2009 for a portion of the site. The Company is in the process of responding to that notice. The Company has received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station is part of an ongoing extension of the transit system. The Company has reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change.

The Company routinely reviews and evaluates sites that may require remediation and monitoring and determines its estimated costs based on various estimates and assumptions. These estimates are developed using its internal sources or by third party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating and monitoring the Company's sites;
- Information available from regulatory agencies as to costs of remediation and monitoring;
- The number, financial resources and relative degree of responsibility of other potentially responsible parties ("PRPs") who may be liable for remediation and monitoring of a specific site; and
- The typical allocation of costs among PRPs.

There is usually a range of reasonable estimates of the costs associated with each site. In accordance with U.S. GAAP, the Company's accruals reflect the amount within the range that it believes is the best estimate or the low end of a range of estimates if no point within the range is a better estimate. Where it believes that both the amount of a particular liability and the timing of the payments are reliably determinable, the Company adjusts the cost in current dollars using a rate of 3% for inflation until the time of expected payment and discounts the cost to present value using current risk-free interest rates. As of August 31, 2019, the risk-free interest rates utilized by the Company ranged from 1.5 to 2.0%.

For environmental liabilities that have been discounted, the Company includes interest accretion, based on the effective interest method, in selling and administrative expenses on the accompanying Consolidated Statements of Income. The changes to the Company's environmental liabilities for fiscal 2019 and 2018 were as follows (in thousands):

Year ended	**August 31, 2019**	**August 25, 2018**
Beginning balance	$ 25,486	$ 25,419
Costs incurred for which reserves have been provided	(1,079)	(1,016)
Insurance proceeds	143	140
Interest accretion	755	692
Changes in discount rates	2,239	(494)
Revisions in estimates	174	745
Ending balance	$ 27,718	$ 25,486

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of August 31, 2019, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below.

(In thousands)	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Estimated costs—current dollars	$ 9,944	$ 2,186	$ 1,353	$ 1,091	$ 1,058	$ 12,032	$ 27,664
Estimated insurance proceeds	(159)	(173)	(159)	(173)	(159)	(693)	(1,516)
Net anticipated costs	$ 9,785	$ 2,013	$ 1,194	$ 918	$ 899	$ 11,339	$ 26,148
Effect of inflation							7,254
Effect of discounting							(5,684)
Balance as of August 31, 2019							$ 27,718

Estimated insurance proceeds are primarily received from an annuity received as part of a legal settlement with an insurance company. Annual proceeds of approximately $0.3 million are deposited into an escrow account which funds remediation and monitoring costs for two sites related to former operations in Williamstown, Vermont. Annual proceeds received but not expended in the current year accumulate in this account and may be used in future years for costs related to this site through the year 2027. As of August 31, 2019, the balance in this escrow account, which is held in a trust and is not recorded in the Company's accompanying Consolidated Balance Sheet, was approximately $4.2 million . Also included in estimated insurance proceeds are amounts the Company is entitled to receive pursuant to legal settlements as reimbursements from three insurance companies for estimated costs at the site in Uvalde, Texas.

The Company's nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission ("NRC"), or, in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. There can be no assurance that such regulation will not lead to material disruptions in the Company's garment decontamination business.

During fiscal 2017, the Company recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the Customer Relationship Management ("CRM") system that was being developed would be completed and placed into service. On December 28, 2018, the Company entered into a settlement agreement with its lead contractor for the version of the CRM system with respect to which the Company recorded the impairment charge. As part of the settlement agreement, the Company recorded in the second quarter of fiscal 2019 a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes the Company's receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. The Company also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement.

From time to time, the Company is also subject to legal proceedings and claims arising from the conduct of its business operations, including personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible for the Company to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits and environmental contingencies, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance have been properly accrued in accordance with U.S. GAAP. It is possible, however, that the future financial position and/or results of operations for any particular future period could be materially affected by changes in the Company's assumptions or strategies related to these contingencies or changes out of the Company's control.

Other Contingent Liabilities

As security for certain agreements with the NRC and various state agencies related to the nuclear operations (see above) and certain insurance programs, the Company had standby irrevocable bank commercial letters of credit of $71.8 million and $63.9 million outstanding as of August 31, 2019 and August 25, 2018, respectively.

12. Share-based Compensation

The Company adopted a stock incentive plan (the "1996 Plan") in November 1996 and reserved 1,500,000 shares of Common Stock for issuance under the 1996 Plan. The 1996 Plan provided for the issuance of stock options and stock appreciation rights. The Company ceased granting new awards under the 1996 Plan as of January 21, 2011, and the 1996 Plan expired in accordance with its terms on January 8, 2012. The Company adopted a stock incentive plan (the "2010 Plan") in October 2010 and reserved 600,000 shares of Common Stock for issuance under the 2010 Plan. The 2010 Plan replaced the Company's 1996 Plan. The 2010 Plan permits the award of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock and performance shares (collectively referred to as "Share-Based Awards") as well as dividend equivalent rights and cash-based awards. On October 27, 2014, the Board of Directors, subject to the approval of the Company's shareholders, which was received at the 2015 annual meeting of shareholders, adopted an amendment to the 2010 Plan to, among other matters, reserve for issuance an additional 750,000 shares and extend to 2025 the time period awards may be granted under the 2010 Plan. As of August 31, 2019, the number of remaining shares available for future grants under the 2010 Plan was 364,060. Share-based compensation, which includes expense related to Share-Based Awards, has been recorded in the accompanying Consolidated Statements of Income in selling and administrative expenses.

All Share-Based Awards issued to management were recommended to the Board of Directors by the Compensation Committee and approved by the Board of Directors. All Share-Based Awards issued to the Company's non-employee members of the Board of Directors (the "Directors") under the 2010 Plan were recommended to the Board of Directors by the Compensation Committee and approved by the Board of Directors. Share-Based Awards granted to non-employee Directors are granted on the third business day following the annual shareholders' meeting.

In fiscal 2019, 2018 and 2017, a total of 291, 234 and 735 shares of fully vested unrestricted stock, respectively, were granted to certain non-employee Directors of the Company. Accordingly, compensation expense related to the 2019, 2018 and 2017 unrestricted stock was recognized on the date of grant.

In fiscal 2019, 2018 and 2017, the Company granted a total of 5,000, 5,000 and 4,940 stock appreciation rights, respectively, under the 2010 Plan to the Company's non-employee Directors. Such stock appreciation rights were fully vested upon grant, expire on the earlier of the eighth anniversary of the grant date or the second anniversary of the date that the Director ceases to be a member of the Board of Directors and must be settled in stock at the time of exercise. Accordingly, compensation expense related to the stock appreciation rights was recognized on the date of grant.

All stock appreciation rights issued to employees were granted with an exercise price equal to the fair market value of the Company's Common Stock on the date of grant. Other than certain stock appreciation rights which vest 20% on each anniversary of the grant date over a five-year period, stock appreciation rights are subject to a five-year cliff-vesting schedule under which the awards become fully vested or exercisable after five years from the date of grant and expire ten years after the grant date. Share-Based Awards granted to the Company's non-employee Directors were fully vested as of the date of grant. Prior to fiscal 2009, non-employee Director Share-Based Award grants in the form of stock options expired ten years from the grant date. Beginning in fiscal 2009, non-employee Director Share-Based Award grants in the form of stock options and stock appreciation rights expire on the earlier of the eighth anniversary of the grant date or the second anniversary of the date that the Director ceases to be a member of the Board of Directors.

Time-based restricted stock units granted to employees vest either 20% on each anniversary of the grant date over a five-year period, 33% on each anniversary of the grant date over a three-year period or on a five-year cliff vesting schedule under which the awards become fully vested after five years from the date of grant. Generally, performance-based restricted stock units granted to employees are earned based on whether and the extent to which the Company achieves certain consolidated revenues and adjusted operating margins. Any such performance-based restricted stock units earned will vest in three equal annual amounts with the first vesting date being the date that the performance criteria have been determined to have been met.

On April 21, 2016, the Company entered into a Restricted Stock Award Agreement (the "Award Agreement") with the Company's former Chief Executive Officer Ronald D. Croatti, pursuant to which the Company granted 140,000 shares (the "Performance Restricted Shares") of restricted stock to Mr. Croatti. The fair value of the Performance Restricted Shares was the closing price on April 21, 2016, which was $111.13.

Upon Mr. Croatti's death in the third quarter of fiscal 2017, 46,666 Performance Restricted Shares of Common Stock were forfeited and 46,667 Performance Restricted Shares of Class B Common Stock that were earned in the performance period for the second half of fiscal 2016 became immediately vested. Additionally, the remaining 24,334 and 22,333 Performance Restricted Shares of Class B Common Stock and Common Stock, respectively, were earned in the performance period for fiscal 2017 upon the achievement of the performance criteria under the Award Agreement and became fully vested. During fiscal 2017, the Company recognized expense on the Award Agreement of $8.8 million, of which $5.4 million was due to the accelerated vesting of Performance Restricted Shares upon Mr. Croatti's death.

As of August 31, 2019, the total compensation cost not yet recognized related to non-vested Share-Based Awards was approximately $10.4 million. The weighted average period over which compensation cost for Share-Based Awards will be recognized is 2.1 years.

The fair value of each stock appreciation right is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used:

Fiscal year ended August	**2019**	**2018**	**2017**
Risk-free interest rate	3.07%	2.23%	1.58%
Expected dividend yield	0.48%	0.18%	0.21%
Expected life in years	7.24	7.41	7.43
Expected volatility	22.9%	23.1%	24.0%

The weighted average fair values of Share-Based Awards granted in the form of stock appreciation rights during fiscal years 2019, 2018 and 2017 were $46.20, $47.51 and $34.74, respectively.

The following table summarizes the Share-Based Awards activity in the form of stock options and stock appreciation rights for fiscal 2019:

	Number of Shares	Weighted Average Exercise Price
Outstanding, August 25, 2018	585,926	$ 110.86
Granted	104,174	150.64
Exercised	(108,450)	88.60
Forfeited	(11,400)	127.22
Outstanding, August 31, 2019	570,250	$ 122.03
Exercisable, August 31, 2019	137,063	$ 102.84

The following table summarizes the Share-Based Awards activity in the form of restricted stock units for fiscal 2019:

	Number of Shares	Weighted Average Exercise Price
Unvested balance at August 25, 2018	11,720	$ 168.27
Granted	17,920	145.31
Vested	(1,107)	165.40
Forfeited	—	—
Unvested balance at August 31, 2019	28,533	$ 153.96

13. Shareholders' Equity

On March 27, 2018, the Company repurchased 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00.

This opportunity to repurchase shares from the Croatti family was evaluated by an independent special committee of the Board of Directors (the "Special Committee"). The sale of shares by the Croatti family was executed to provide liquidity as well as for estate and family financial planning following the passing of former UniFirst Chief Executive Officer, Ronald D. Croatti.

The Special Committee determined that a repurchase of Croatti family Class B Common Stock at a discount to market was in the best interests of the Company as it is accretive to income per share and addresses uncertainties that may have been created if the Croatti family had pursued other liquidity options. The Special Committee undertook its evaluation with the assistance of Stifel Financial Corp. ("Stifel") and received an opinion from Stifel to the effect that, as of March 27, 2018, the $124.00 per share in cash to be paid was fair to the Company, from a financial point of view. The entire Board of Directors other than Cynthia Croatti, who is affiliated with the selling shareholders and therefore abstained, approved the transaction upon the recommendation of the Special Committee.

On March 28, 2018, the Company announced that it would be raising its quarterly dividend to $0.1125 per share for Common Stock and to $0.09 per share for Class B Common Stock, up from $0.0375 and $0.03 per share, respectively.

On October 23, 2019, the Company announced that it would be raising its quarterly dividend to $0.25 per share for Common Stock and to $0.20 per share for Class B Common Stock, up from $0.1125 and $0.09 per share, respectively. The amount and timing of any future dividend payment is subject to the approval of the Board of Directors each quarter.

The Company has two classes of common stock: Common Stock and Class B Common Stock. Each share of Common Stock is entitled to one vote, is freely transferable, and is entitled to a cash dividend equal to 125% of any cash dividend paid on each share of Class B Common Stock. Each share of Class B Common Stock is entitled to ten votes and can be converted to Common Stock on a share-for-share basis. However, until converted to Common Stock, shares of Class B Common Stock are not freely transferable. For the year ended August 31, 2019, 67,000 shares of Class B Common Stock were converted to Common Stock.

On January 2, 2019, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase from time to time up to $100.0 million of its outstanding shares of common stock. Repurchases made under the program, if any, will be made in either the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will depend on a variety of factors, including economic and market conditions, the Company stock price, corporate liquidity requirements and priorities, applicable legal requirements and other factors. The share repurchase program will be funded using the Company's available cash or capacity under its Credit Agreement and may be suspended or discontinued at any time. During fiscal 2019, the Company repurchased 197,150 shares, respectively, for an average price per share of $154.78.

14. Accumulated Other Comprehensive Loss

The changes in each component of accumulated other comprehensive loss for fiscal 2019 and 2018 are as follows (in thousands):

	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of August 26, 2017	$ (15,932)	$ (5,477)	$ (109)	$ (21,518)
Change during the year	(5,184)	1,342	201	(3,641)
Balance as of August 25, 2018	(21,116)	(4,135)	92	(25,159)
Change during the year	(3,524)	(5,104)	99	(8,529)
Balance as of August 31, 2019	$ (24,640)	$ (9,239)	$ 191	$ (33,688)

(1) Amounts are shown net of tax.

Amounts reclassified from accumulated other comprehensive loss, net of tax, for fiscal 2019 and 2018 were as follows (in thousands):

	Year Ended August 31, 2019	Year Ended August 25, 2018
Pension benefit liabilities, net:		
Actuarial losses (a)	$ 645	$ 464
Tax effect reclass	—	1,192
Total, net of tax	645	1,656
Derivative financial instruments, net:		
Forward contracts gain (b)	(153)	(46)
Total, net of tax	(153)	(46)
Total amounts reclassified, net of tax	$ 492	$ 1,610

(a) Amounts included in selling and administrative expenses in the accompanying Consolidated Statements of Income.
(b) Amounts included in revenues in the accompanying Consolidated Statements of Income.

15. Segment Reporting

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is the Company's chief executive officer. The Company has six operating segments based on the information reviewed by its chief executive officer: U.S. Rental and Cleaning, Canadian Rental and Cleaning, MFG, Specialty Garments, First Aid and Corporate. The U.S. Rental and Cleaning and Canadian Rental and Cleaning operating segments have been combined to form the U.S. and Canadian Rental and Cleaning reporting segment, and as a result, the Company has five reporting segments.

The U.S. and Canadian Rental and Cleaning reporting segment purchases, rents, cleans, delivers and sells, uniforms and protective clothing and non-garment items in the United States and Canada. The laundry locations of the U.S. and Canadian Rental and Cleaning reporting segment are referred to by the Company as “industrial laundries” or “industrial laundry locations.”

The MFG operating segment designs and manufactures uniforms and non-garment items primarily for the purpose of providing these goods to the U.S. and Canadian Rental and Cleaning reporting segment. MFG revenues are primarily generated when goods are shipped from the Company’s manufacturing facilities, or its subcontract manufacturers, to other Company locations. These intercompany revenues are recorded at a transfer price which is typically in excess of the actual manufacturing cost. Manufactured products are carried in inventory until placed in service at which time they are amortized at this transfer price. On a consolidated basis, intercompany revenues and income are eliminated and the carrying value of inventories and rental merchandise in service is reduced to the manufacturing cost. Income before income taxes from MFG net of the intercompany MFG elimination offsets the merchandise amortization costs incurred by the U.S. and Canadian Rental and Cleaning reporting segment as the merchandise costs of this reporting segment are amortized and recognized based on inventories purchased from MFG at the transfer price which is above the Company’s manufacturing cost.

The Corporate operating segment consists of costs associated with the Company’s distribution center, sales and marketing, information systems, engineering, materials management, manufacturing planning, finance, budgeting, human resources, other general and administrative costs and interest expense. The revenues generated from the Corporate operating segment represent certain direct sales made by the Company directly from its distribution center. The products sold by this operating segment are the same products rented and sold by the U.S. and Canadian Rental and Cleaning reporting segment. In the table below, no assets or capital expenditures are presented for the Corporate operating segment because no assets are allocated to this operating segment in the information reviewed by the chief executive officer. However, depreciation and amortization expense related to certain assets are reflected in income from operations and income before income taxes for the Corporate operating segment. The assets that give rise to this depreciation and amortization are included in the total assets of the U.S. and Canadian Rental and Cleaning reporting segment as this is how they are tracked and reviewed by the Company. The majority of expenses accounted for within the Corporate segment relate to costs of the U.S. and Canadian Rental and Cleaning segment, with the remainder of the costs relating to the Specialty Garment and First Aid segments.

The Specialty Garments operating segment purchases, rents, cleans, delivers and sells, specialty garments and non-garment items primarily for nuclear and cleanroom applications and provides cleanroom cleaning services at limited customer locations. The First Aid operating segment sells first aid cabinet services and other safety supplies as well as maintains wholesale distribution and pill packaging operations.

The Company refers to the U.S. and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as its “Core Laundry Operations,” which is included as a subtotal in the following tables (in thousands):

As of and for the year ended August 31, 2019	**US and Canadian Rental and Cleaning**	**MFG**	**Net Interco MFG Elim**	**Corporate**	**Subtotal Core Laundry Operations**	**Specialty Garments**	**First Aid**	**Total**
Revenues	$1,582,416	$254,218	$(254,111)	$ 33,682	$1,616,205	$132,767	$60,404	$1,809,376
Income (loss) from operations	$ 235,046	$ 84,248	$ 1,128	$(107,468)	$ 212,954	$ 14,145	$ 4,909	$ 232,008
Interest (income) expense, net	$ (4,105)	$ —	$ —	$ (4,977)	$ (9,082)	$ —	$ —	$ (9,082)
Income (loss) before taxes	$ 239,122	$ 84,008	$ 1,128	$(104,742)	$ 219,516	$ 13,499	$ 4,909	$ 237,924
Depreciation and amortization	$ 69,376	$ 2,384	$ —	$ 25,098	$ 96,858	$ 4,759	$ 1,716	$ 103,333
Capital expenditures	$ 115,071	$ 401	$ —	$ —	$ 115,472	$ 3,423	$ 920	$ 119,815
Total assets	$1,865,713	$ 36,376	$ —	$ —	$1,902,089	$110,335	$34,896	$2,047,320

As of and for the year ended August 25, 2018	**US and Canadian Rental and Cleaning**	**MFG**	**Net Interco MFG Elim**	**Corporate**	**Subtotal Core Laundry Operations**	**Specialty Garments**	**First Aid**	**Total**
Revenues	$1,485,548	$247,530	$(247,424)	$ 37,994	$1,523,648	$118,477	$54,364	$1,696,489
Income (loss) from operations	$ 213,322	$ 89,035	$ (9,658)	$(129,111)	$ 163,588	$ 14,070	$ 4,718	$ 182,376
Interest income, net	$ (3,927)	$ —	$ —	$ (1,616)	$ (5,543)	$ —	$ —	$ (5,543)
Income (loss) before taxes	$ 217,252	$ 88,856	$ (9,658)	$(127,510)	$ 168,940	$ 13,589	$ 4,717	$ 187,246
Depreciation and amortization	$ 64,481	$ 2,238	$ —	$ 24,108	$ 90,827	$ 4,244	$ 1,591	$ 96,662
Capital expenditures	$ 105,481	$ 2,882	$ —	$ —	$ 108,363	$ 3,781	$ 603	$ 112,747
Total assets	$1,670,713	$ 33,622	$ —	$ —	$1,704,335	$110,811	$28,240	$1,843,386

As of and for the year ended August 26, 2017	US and Canadian Rental and Cleaning	MFG	Net Interco MFG Elim	Corporate	Subtotal Core Laundry Operations	Specialty Garments	First Aid	Total
Revenues	$1,415,423	$206,572	$(206,316)	$ 26,470	$1,442,149	$ 98,024	$ 50,785	$1,590,958
Income (loss) from operations	$ 200,585	$ 76,115	$ (3,415)	$(176,978)	$ 96,307	$ 9,018	$ 4,958	$ 110,283
Interest (income) expense, net	$ (3,371)	$ —	$ —	$ (898)	$ (4,269)	$ —	$ —	$ (4,269)
Income (loss) before taxes	$ 204,108	$ 75,738	$ (3,415)	$(175,595)	$ 100,836	$ 9,329	$ 4,958	$ 115,123
Depreciation and amortization	$ 59,899	$ 2,185	$ —	$ 20,866	$ 82,950	$ 4,429	$ 1,500	$ 88,879
Capital expenditures	$ 104,984	$ 1,079	$ —	$ —	$ 106,063	$ 1,737	$ 754	$ 108,554
Total assets	$1,667,540	$ 34,045	$ —	$ —	$1,701,585	$ 87,767	$ 29,776	$1,819,128

The Company's long-lived assets as of August 31, 2019 and August 25, 2018 and revenues and income before income taxes for the years ended August 31, 2019, August 25, 2018 and August 26, 2017 were attributed to the following countries (in thousands):

Long-lived assets as of:	August 31, 2019	August 25, 2018
United States	$ 1,087,901	$ 1,012,167
Europe, Canada, Mexico and Nicaragua (1)	45,628	46,419
Total	$ 1,133,529	$ 1,058,586

Revenues for fiscal years:	2019	2018	2017
United States	$ 1,683,321	$ 1,559,780	$ 1,472,432
Europe and Canada (1)	126,055	136,709	118,526
Total	$ 1,809,376	$ 1,696,489	$ 1,590,958

Income before income taxes for fiscal years:	2019	2018	2017
United States	$ 236,843	$ 184,605	$ 109,741
Europe, Canada, Mexico and Nicaragua (1)	1,081	2,641	5,382
Total	$ 237,924	$ 187,246	$ 115,123

(1) No country accounts for greater than 10% of total long-lived assets, revenues or income before income taxes

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UniFirst Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UniFirst Corporation and subsidiaries (the "Company") as of August 31, 2019 and August 25, 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended August 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2019 and August 25, 2018, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated October 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Self-Insurance Accruals

Description of the Matter

As of August 31, 2019, the Company had recognized current and long-term insurance related liabilities of $30.1 million and $50.5 million, respectively. As discussed in Note 1 to the Company's consolidated financial statements, the Company is self-insured for certain obligations related to health, workers' compensation, vehicles and general liability programs and judgments and estimates are used by the Company in determining the potential value associated with reported claims and for events that have occurred but have not been reported.

Auditing management's estimate of the portion of the insurance related liabilities related to workers' compensation, vehicles and general liability is highly judgmental and complex due to the significant uncertainty in the potential value of reported claims and the number and potential value of incurred but not reported claims, the application of significant management judgment in making those estimates and the use of various actuarial methods. The reserve estimate is sensitive to actuarial assumptions used to estimate the ultimate liability for reported claims and to estimate the value of claims that have been incurred but have not been reported.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's self-insurance accrual process. This includes controls over the assumptions and methods used to establish the estimate. Specifically, we tested controls related to management's review of data provided to the actuary, significant actuarial assumptions and the related reconciliations.

To test the self-insurance accrual, we performed audit procedures over the significant inputs used in management's analysis, including performing transactional testing over the completeness and accuracy of claims data and vouching payments made to third parties. Furthermore, we involved our actuarial specialists to assist in evaluating the key assumptions and methodologies used by management to determine the reserve. We then compared the Company's reserve amount to a range which our actuarial specialist developed based on independently selected assumptions.

Environmental Contingencies

Description of the Matter

As discussed in Note 11 to the Company's consolidated financial statements, the Company is subject to various federal, state, and local laws and regulations governing the treatment and disposal of hazardous waste and other substances. As of August 31, 2019, the Company had recorded a current and long-term liability of $9.8 million and $17.9 million, respectively, representing its best estimate of losses related to these environmental matters.

Auditing management's accounting for environmental loss contingencies was especially challenging, as significant judgment is required by the Company to evaluate whether it is probable that an environmental loss contingency has been incurred and to estimate the future costs to remediate the environmental matters. These judgments include management's identification of sites with potential liabilities, management's estimate of the amount and timing of remediation and other costs, allocation of costs among other potentially responsible parties, changes to enacted laws and regulations, discount rates, and evaluation of information available from regulatory agencies.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of the environmental loss contingency. For example, we tested controls over management's review of the environmental loss contingency calculation and management's meetings where they evaluate key judgments and estimates affecting the environmental loss contingency, including those outlined in the paragraph above.

To test the assessment of the probability of incurrence of a loss and whether the loss was reasonably estimable, we inspected correspondence to and from regulatory agencies, obtained legal counsel confirmation letters, met with the Company's legal counsel and other members of management to discuss environmental matters, inspected environmental studies, read the minutes of the meetings of the Company's Board of Directors and committees of the Company's Board of Directors, and obtained a representation letter from the Company. Additionally, we utilized our environmental specialists to perform a search for unrecorded environmental liabilities related to the Company's sites to look for new or contrary evidence. To test the measurement of the environmental liabilities, we performed detailed testing over costs incurred, and based on historical trends and input from management, we evaluated the reasonableness of estimated costs to be incurred. We tested the allocation of costs among potentially responsible parties by analyzing allocation settlement agreements, and tested other assumptions impacting the estimate such as inflation and discount rates by agreeing to third party sources. We also evaluated the accuracy of any changes in measurement of the liability through comparison with historical data.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Boston, Massachusetts
October 29, 2019

Quarterly Financial Data (Unaudited)

The following is a summary of the results of operations for each of the quarters within the years ended August 31, 2019 and August 25, 2018. This quarterly financial information was prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission; however, the Company believes that the information furnished reflects all adjustments (consisting only of normal recurring adjustments) which were, in the opinion of management, necessary for a fair statement of results in the interim periods. This summary should be read in conjunction with these Consolidated Financial Statements and notes to Consolidated Financial Statements.

(In thousands, except per share data) **For the year ended August 31, 2019**	**First Quarter**	**Second Quarter (1)**	**Third Quarter (2)**	**Fourth Quarter (3)**
Revenues	$ 438,550	$ 437,485	$ 453,720	$ 479,621
Income before income taxes	51,959	63,395	61,700	60,870
Provision for income taxes	13,639	15,789	14,480	14,882
Net income	$ 38,320	$ 47,606	$ 47,220	$ 45,988
Income per share—basic				
Common Stock	$ 2.08	$ 2.59	$ 2.58	$ 2.52
Class B Common Stock	$ 1.67	$ 2.07	$ 2.06	$ 2.01
Income per share—diluted				
Common Stock	$ 1.99	$ 2.48	$ 2.46	$ 2.40
Income allocated to—basic				
Common Stock	$ 32,137	$ 39,923	$ 39,563	$ 38,619
Class B Common Stock	$ 6,183	$ 7,683	$ 7,657	$ 7,369
Income allocated to—diluted				
Common Stock	$ 38,320	$ 47,606	$ 47,220	$ 45,988
Weighted average number of shares outstanding—basic				
Common Stock	15,432	15,428	15,341	15,340
Class B Common Stock	3,710	3,710	3,710	3,659
Weighted average number of shares outstanding—diluted				
Common Stock	19,302	19,232	19,168	19,159

(1) During the second quarter of fiscal 2019, the Company repurchased 45,000 shares for an average price per share of $139.57.

During fiscal 2017, we recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the CRM system that was being developed would be completed and placed into service. During fiscal 2019, we entered into a settlement agreement with our lead contractor for the version of the CRM system with respect to which we recorded the impairment charge. As part of the settlement agreement, we recorded a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes our receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. We also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement. This gain, net of tax, benefitted the Company’s diluted income per share by $0.81 in fiscal 2019.

(2) During the third quarter of fiscal 2019, the Company repurchased 99,500 shares for an average price per share of $147.47.

(3) During the fourth quarter of fiscal 2019, the Company repurchased 52,650 shares for an average price per share of $181.61.

(In thousands, except per share data) For the year ended August 25, 2018	First Quarter	Second Quarter (1)	Third Quarter (2)	Fourth Quarter (3)
Revenues	$ 415,778	$ 419,264	$ 427,384	$ 434,063
Income before income taxes	53,033	43,568	47,792	42,853
Provision (benefit) for income taxes	18,827	(14,810)	11,433	7,901
Net income	$ 34,206	$ 58,378	$ 36,359	$ 34,952
Income per share—basic				
Common Stock	$ 1.77	$ 3.02	$ 1.94	$ 1.90
Class B Common Stock	$ 1.42	$ 2.42	$ 1.55	$ 1.52
Income per share—diluted				
Common Stock	$ 1.67	$ 2.85	$ 1.85	$ 1.81
Income allocated to—basic				
Common Stock	$ 27,384	$ 46,744	$ 30,034	$ 29,312
Class B Common Stock	$ 6,822	$ 11,634	$ 6,325	$ 5,640
Income allocated to—diluted				
Common Stock	$ 34,206	$ 58,378	$ 36,359	$ 34,952
Weighted average number of shares outstanding—basic				
Common Stock	15,462	15,481	15,446	15,429
Class B Common Stock	4,816	4,816	4,087	3,711
Weighted average number of shares outstanding—diluted				
Common Stock	20,434	20,463	19,687	19,335

(1) The Company’s second quarter results include a $20.1 million benefit to the Company’s provision for income taxes due to remeasurement of deferred tax balances and the one-time transition tax resulting from the Act enacted on December 22, 2017. This gain translated into $0.98 gain to the Company’s diluted earnings per share.

(2) On March 27, 2018, UniFirst repurchased 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00.

(3) The Company’s fourth quarter results also include a $7.2 million pre-tax one-time bonus to our employees so that they may share in the benefits received from the recent U.S. tax reform. This expense, net of tax, reduced the Company’s diluted earnings per share by $0.25.

The Company’s fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2019 consisted of 53 weeks, and fiscal 2018 consisted of 52 weeks. Each of the quarterly periods contained 13 weeks except for the fourth quarter of fiscal 2019 which contained 14 weeks.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that material information relating to the Company required to be disclosed by the Company in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. We continue to review our disclosure controls and procedures, and our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended August 31, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Management's Responsibility for Financial Statements

Our management is responsible for the preparation, integrity and objectivity of our Consolidated Financial Statements and other financial information contained in our Annual Report on Form 10-K. Those Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States. In preparing those Consolidated Financial Statements, management was required to make certain estimates and judgments, which are based upon currently available information and management's view of current conditions and circumstances.

The Audit Committee of our Board of Directors, which consists solely of independent directors, oversees our process of reporting financial information and the audit of our Consolidated Financial Statements. The Audit Committee stays informed of our financial condition and regularly reviews management's financial policies and procedures, the independence of our independent auditors, our internal control and the objectivity of our financial reporting. Our independent registered public accounting firm has full access to the Audit Committee and meets with the Audit Committee periodically, both with and without management present.

We have retained Ernst & Young LLP, an independent registered public accounting firm, to audit our Consolidated Financial Statements found in this Annual Report on Form 10-K for the year ended August 31, 2019. We have made available to Ernst & Young LLP all of our financial records and related data in connection with their audit of our Consolidated Financial Statements.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of our internal control over financial reporting as of August 31, 2019. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control—Integrated Framework* (2013 Framework). Management concluded that based on its assessment, our internal control over financial reporting was effective as of August 31, 2019.

The effectiveness of our internal control over financial reporting as of August 31, 2019 has been audited by Ernst & Young LLP, and a copy of its attestation report is included below.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of UniFirst Corporation

Opinion on Internal Control over Financial Reporting

We have audited UniFirst Corporation and subsidiaries' internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, UniFirst Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of August 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of UniFirst Corporation as of August 31, 2019 and August 25, 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated October 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
October 29, 2019

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Statement of Corporate Policy and Code of Business Conduct and Ethics, which applies to our directors and all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and corporate controller. Our Statement of Corporate Policy and Code of Business Conduct and Ethics is available, free of charge, on our website at www.unifirst.com. Information contained on our website is not part of this Annual Report on Form 10-K or the documents incorporated by reference into this Annual Report on Form 10-K. We intend to disclose any amendment to or waiver of a provision of the Statement of Corporate Policy and Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller by posting such information on our website at www.unifirst.com.

Information regarding our directors and executive officers required by this Item 10 will be included in our definitive Proxy Statement to be filed with the Securities and Exchange Commission for our 2020 Annual Meeting of Shareholders and is incorporated by reference into this Item 10. Certain information required by this Item 10 is set forth in Item 1 of this Annual Report on Form 10-K under the heading “Executive Officers”.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 will be included in our definitive Proxy Statement to be filed with the Securities and Exchange Commission for our 2020 Annual Meeting of Shareholders and is incorporated by reference into this Item 11.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 will be included in our definitive Proxy Statement to be filed with the Securities and Exchange Commission for our 2020 Annual Meeting of Shareholders and is incorporated by reference into this Item 12.

Information concerning our equity compensation plans contained in the table entitled “Equity Compensation Plan Information” set forth in Item 5 of this Annual Report on Form 10-K is incorporated by reference into this Item 12.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 will be included in our definitive Proxy Statement to be filed with the Securities and Exchange Commission for our 2020 Annual Meeting of Shareholders and is incorporated by reference into this Item 13.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item 14 will be included in our definitive Proxy Statement to be filed with the Securities and Exchange Commission for our 2020 Annual Meeting of Shareholders and is incorporated by reference into this Item 14.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The financial statements listed below are filed as part of this report:

(1) and (2) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

The financial statements listed below are included under Item 8 of this Annual Report on Form 10-K:

Consolidated statements of income for each of the three years in the period ended August 31, 2019

Consolidated statements of comprehensive income for each of the three years in the period ended August 31, 2019

Consolidated balance sheets as of August 31, 2019 and August 25, 2018

Consolidated statements of shareholders' equity for each of the three years in the period ended August 31, 2019

Consolidated statements of cash flows for each of the three years in the period ended August 31, 2019

Notes to Consolidated Financial Statements

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The items listed below are included under Item 9a of this Annual Report on Form 10-K

Management's Report on Internal Control Over Financial Reporting

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The following additional schedule is filed herewith:

Schedule II—Valuation and qualifying accounts and reserves for each of the three years in the period ended August 31, 2019

UNIFIRST CORPORATION AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED
AUGUST 31, 2019 (IN THOUSANDS)

Description	Balance, Beginning of Period	Charged to Costs and Expenses	Charges for Which Reserves Were Created or Deductions	Balance, End of Period
Reserves for Accounts Receivable				
For the year ended August 31, 2019	$ 9,237	$ 5,996	$ (5,298)	$ 9,935
For the year ended August 25, 2018	$ 8,719	$ 5,882	$ (5,364)	$ 9,237
For the year ended August 26, 2017	$ 7,675	$ 5,629	$ (4,585)	$ 8,719

Separate financial statements of the Company have been omitted because the Company is primarily an operating company and all subsidiaries included in the Consolidated Financial Statements are totally held.

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or the notes thereto.

(3) EXHIBITS. The list of exhibits filed as part of this Annual Report on Form 10-K is set forth below.

DESCRIPTION

3.1 Restated Articles of Organization (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on July 5, 2006)

3.2 Articles of Amendment dated January 13, 1988 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on July 5, 2006)

3.3 Articles of Amendment dated January 21, 1993 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Commission on July 5, 2006)

3.4 By-laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on January 10, 2008)

4.1 Specimen Stock Certificate for Shares of Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on July 5, 2006)

4.2 Description of securities (filed herewith)

*10.1 Form of UniFirst Corporation stock option award to non-employee directors under the Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10-E to the Company's Annual Report on Form 10-K for the fiscal year ended August 27, 2004 filed with the Commission on November 12, 2004)

*10.2 Form of UniFirst Corporation stock option award to executive officers under the Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10-F to the Company's Annual Report on Form 10-K for the fiscal year ended August 27, 2004 filed with the Commission on November 12, 2004)

*10.3 UniFirst Corporation Unfunded Supplemental Executive Retirement Plan as restated January 11, 2017 to incorporate and consolidate all previous amendments thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on April 4, 2017)

*10.4 Form of Restricted Stock Award Agreement under the UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 the Company's Quarterly Report on Form 10-Q filed with the Commission on April 9, 2009)

*10.5 Employment Agreement, dated December 14, 2017, by and between UniFirst Corporation and Steven S. Sintros (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2017)

*10.6 Restricted Stock Unit Award Agreement, dated December 14, 2017, by and between UniFirst Corporation and Steven S. Sintros (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2017)

*10.7 UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 7, 2010)

*10.8 Second Amendment to the UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 7, 2010)

*10.9 Third Amendment to the UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 7, 2010)

*10.10 Fourth Amendment to the UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 7, 2010)

*10.11 Fifth Amendment to the UniFirst Corporation Amended 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on April 8, 2010)

*10.12 UniFirst Corporation 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 14, 2011)

*10.13 Form of Stock Appreciation Right Award Agreement for Company Employees under the UniFirst Corporation 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on January 14, 2011)

*10.14 Form of Stock Appreciation Right Agreement for Non-Employee Directors under the UniFirst Corporation 2010

Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on January 14, 2011)

*10.15	Form of Non-Qualified Stock Option Agreement for Company Employees under the UniFirst Corporation 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on January 14, 2011)
*10.16	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the UniFirst Corporation 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on January 14, 2011)
10.17	Amended and Restated Credit Agreement, dated as of April 11, 2016, among UniFirst Corporation and certain of its subsidiaries as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, JPMorgan Chase Bank, N.A., as an L/C Issuer and Syndication Agent, the other lenders a party thereto, Merrill Lynch, Pierce Fenner & Smith Incorporated and JPMorgan Chase Bank, N.A., as Joint Lead Arrangers and Book Managers, and Santander Bank, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 13, 2016)
* 10.18	UniFirst Corporation CEO Cash Incentive Bonus Plan, as amended (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the Commission on December 3, 2013)
*10.19	UniFirst Corporation Amended and Restated 2010 Stock Option and Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the Commission on December 2, 2014).
* 10.20	Restricted Stock Unit Award Agreement, dated December 14, 2017, between the Company and Steven S. Sintros (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2017)
*10.21	Stock Appreciation Right Award Agreement, dated December 14, 2017, between the Company and Steven S. Sintros (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2017)
*10.22	Form of Restricted Stock Unit Award Agreement under the UniFirst Corporation Amended and Restated 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on December 20, 2017)
*10.23	Form of Restricted Stock Unit Award Agreement under the UniFirst Corporation Amended and Restated 2010 Stock Option and Incentive Plan (with respect to performance-based restricted stock unit awards) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 3, 2019)
*10.24	UniFirst Corporation Amendment No. 1 to Amended and Restated 2010 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on April 4, 2018)
*10.25	Stock Repurchase Agreement, dated as of March 27, 2018, by and among the Company and the Sellers identified therein (incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on March 28, 2018)
21	List of Subsidiaries (filed herewith)
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (filed herewith)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Steven S. Sintros (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Shane O'Connor (filed herewith)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished herewith)
101	The following materials from UniFirst Corporation's Annual Report on Form 10-K for the year ended August 31, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements and (vii) Schedule II.

* Management contract, compensatory plan or arrangement

ITEM 16. FORM 10-K SUMMARY

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UniFirst Corporation

By: /s/ Steven S. Sintros
Steven S. Sintros
President and Chief Executive Officer

October 29, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ Steven S. Sintros Steven S. Sintros	President and Chief Executive Officer (Principal Executive Officer)	October 29, 2019
/s/ Shane O'Connor Shane O'Connor	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 29, 2019
/s/ Cynthia Croatti Cynthia Croatti	Director	October 29, 2019
/s/ Phillip L. Cohen Phillip L. Cohen	Director	October 29, 2019
/s/ Kathleen Camilli Kathleen Camilli	Director	October 29, 2019
/s/ Michael Iandoli Michael Iandoli	Director	October 29, 2019
/s/ Thomas Postek Thomas S. Postek	Director	October 29, 2019
/s/ Raymond Zemlin Raymond C. Zemlin	Chairman of the Board of Directors	October 29, 2019

Exhibit 4.2

Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended

The summary of the general terms and provisions of the registered securities of UniFirst Corporation ("UniFirst," "we," or "our") set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to our Restated Articles of Organization, as amended (our "articles of organization") and By-laws (our "by-laws" and, together with our articles of organization, our "Charter Documents"), each of which is incorporated by reference as an exhibit to our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. We encourage you to read our Charter Documents and the applicable provisions of the Massachusetts Business Corporation Act (the "MBCA") for additional information.

General

Our authorized capital stock consists of 30,000,000 shares of Common Stock, par value $0.10 per share ("Common Stock"), 20,000,000 shares of Class B Common Stock, par value $0.10 per share ("Class B Stock"), and 2,000,000 shares of Preferred Stock, par value $1.00 per share ("Preferred Stock").

Common Stock

Only our Common Stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Dividends

Our board of directors may declare and pay dividends on our Common Stock and our Class B Stock out of funds legally available for that purpose, subject to the rights of holders of Preferred Stock.

If our board of directors declares a dividend on the Class B Stock, whether payable in cash, in property or in shares of our capital stock, a dividend shall also be declared on our Common Stock. Cash dividends payable on each outstanding share of our Common Stock shall be equal to 125% of the cash dividend payable on each outstanding share of our Class B Stock. If dividends are declared that are payable in shares of our Common Stock or Class B Stock, such dividends shall be payable at the same rate on both classes of capital stock, provided that dividends payable in Common Stock shall be payable only to holders of Common Stock and dividends payable in Class B Stock shall be payable only to holders of Class B Stock.

Voting

Each share of our Common Stock shall entitle the holder thereof to one vote and each share of our Class B Stock shall entitle the holder thereof to ten votes. Other than with respect to the election of directors or as required by the MBCA, all actions submitted to a vote of stockholders shall be voted on by the holders of our Common Stock and our Class B Stock (as well as the holders of any series of our Preferred Stock, if any, entitled to vote thereon) voting together as a single class.

With respect to the election of directors, holders of our Common Stock voting separately as a single class shall be entitled to elect 25% of the total number of directors constituting the full board of directors and, if such 25% is not a whole number, then the holders of our Common Stock shall be entitled to elect the nearest higher whole number of directors that is at least 25% of the total number of directors and shall have the sole right to remove such Director(s). Holders of our Common Stock and Class B Stock voting together as a single class shall be entitled to elect the remaining directors. Each director is to be elected by the affirmative vote of a plurality of the votes cast with respect to that director's election.

Our by-laws provide that, except as required by law or our Charter Documents and other than with respect to the election of directors, all matters will be decided by the vote of the majority of the votes cast.

Other Rights

Upon liquidation, the holders of our Common Stock and Class B Stock are entitled to share ratably in assets available for distribution to stockholders after the payment or provision for payment of our debts and liabilities and any preferential amounts to which the holders of any outstanding shares of Preferred Stock are entitled. The issuance of any shares of any series of Preferred Stock in future financings, acquisitions or otherwise may result in dilution of the voting power and relative equity interest of the holders of our Common Stock and will subordinate our Common Stock to any prior dividend and liquidation rights of the outstanding shares of such Preferred Stock.

Our Common Stock has no conversion rights, nor are there any redemption or sinking fund provisions with respect to the Common Stock. Holders of our Common Stock have no pre-emptive rights to subscribe for or purchase any additional stock or securities of UniFirst.

To UniFirst's knowledge, all of the outstanding shares of our Class B Stock are owned by certain members of the Croatti family and are not freely transferable. However, holders of our Class B Stock have the right, at any time, and from time to time, at such holder's option, to convert such shares of Class B Stock into one fully paid and nonassessable share of our Common Stock on the terms and subject to the conditions set forth in our articles of organization.

Preferred Stock

Pursuant to our articles of organization, our board of directors has the authority, without further action by the stockholders, to issue from time to time up to two million shares of Preferred Stock in one or more series. No shares of Preferred Stock are outstanding as of the date of our Annual Report on Form 10-K with which this Exhibit 4.2 is filed as an exhibit.

Our board of directors may designate the rights, preferences, privileges and restrictions of the Preferred Stock, including the title of the series, the number of shares to contribute to such series, dividend rights, redemption rights, liquidation preference, sinking fund terms, conversion rights, voting rights and any other material term of the series. The issuance of Preferred Stock could have the effect of restricting dividends on the Common Stock, diluting the voting power of the Common Stock, impairing the liquidation rights of the Common Stock or delaying, deterring or preventing a change in control.

Anti-Takeover Effects of Massachusetts Law and Provisions of our Charter Documents

Certain provisions of the MBCA and of our Charter Documents could have the effect of delaying, deferring or discouraging a future takeover or change in control of UniFirst unless such takeover or change in control is approved by our board of directors.

Voting control of our principal stockholders. As described above, our articles of organization provide that each share of our Common Stock entitles its holder to one vote and each share of our Class B Stock entitles its holder to ten votes. As of the date of our Annual Report on Form 10-K with which this Exhibit 4.2 is filed as an exhibit, to UniFirst's knowledge, the members of the Croatti family owned, directly or indirectly, more than two-thirds of the combined voting power of the outstanding shares of our Common Stock and Class B Stock. As a result, the members of the Croatti family, acting with other family members, could effectively control most matters requiring approval by our stockholders, including the election of a majority of the directors. While historically the members of the Croatti family have individually voted their respective shares of Class B Stock in the same manner, there is no contractual understanding requiring this and there is no assurance that the family members will continue to individually vote their shares of Class B Stock in the same manner in the future. This voting control by the members of the

Croatti family may have the effect of delaying, deferring or preventing a change in control of our Company.

Action by written consent; special meeting of stockholders. Our by-laws provide that stockholder action can be taken only at an annual or special meeting of stockholders or by the unanimous written consent of all stockholders entitled to vote in lieu of such a meeting. Our by-laws also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the chairman or vice chairman of our board of directors or by our board of directors or holders of at least two-thirds in interest of our then outstanding capital stock entitled to vote at the meeting. These restrictions may limit the ability of our stockholders to force consideration of a proposal.

Advance notice procedures. Our by-laws contain an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our clerk timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. These advance notice procedures may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed and may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempt to obtain control of UniFirst.

Board composition and filling vacancies. In accordance with our by-laws, our board of directors is divided into three classes serving staggered three-year terms, with one class being elected each year. Our by-laws also provide that, subject to the rights of the holders of Common Stock voting as a single class to remove directors described above, directors may be removed only for cause and only by the affirmative vote of (i) a majority of the shares of capital stock outstanding and entitled to vote in the election of directors or (ii) by the vote of a majority of the entire number of directors then in office. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office, even if less than a quorum. We are also subject to provisions of the MBCA providing that the directors of a public Massachusetts corporation shall have staggered terms unless the board or the stockholders representing two-thirds of the outstanding capital stock adopts a vote providing that the corporation elects to be exempt from such provisions. The classification of directors, together with the limitations on removal of directors and treatment of vacancies, has the effect of making it more difficult for stockholders to change the composition of our board of directors.

Authorized but unissued shares. Our authorized but unissued shares of Common Stock, Class B Stock and Preferred Stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of Common Stock, Class B Stock and Preferred Stock could render more difficult or discourage an attempt to obtain control of a majority of our Common Stock by means of a proxy contest, tender offer, merger or otherwise.

Business combinations. Our articles of organization provide that no "business combination" may be effected with a "related person" unless approved by the affirmative vote of (i) the holders of our outstanding voting securities entitled to exercise 80% of the combined voting power of UniFirst and (ii) two-thirds of our outstanding voting securities beneficially owned by stockholders other than the related person. The definition of "business combination" includes, but is not limited to:

- a merger or consolidation of UniFirst or any subsidiary of UniFirst with or into the related person;

- the sale, lease, exchange, transfer or other disposition, including without limitation a mortgage or other security device, by UniFirst or any subsidiary of UniFirst to the related person of assets that have an aggregate fair market value greater than 30% of the aggregate market value of the total assets of UniFirst or the subsidiary in question;

- a merger or consolidation of the related person with or into UniFirst or any subsidiary of UniFirst;

- the sale, lease, exchange, transfer or other disposition by the related person to UniFirst or any subsidiary of UniFirst of assets that have an aggregate fair market value greater than 30% of the aggregate market value of the total assets of the related person;

- the issuance of any securities of UniFirst or a subsidiary of UniFirst to the related person;

- a reclassification of securities of UniFirst that would have the effect of increasing the voting power of the related person;

- the adoption of a plan or proposal of liquidation or dissolution of UniFirst proposed by or on behalf of the related person; or

- any agreement, contract or other arrangement providing for any of the transactions described above.

A “related person” is defined in our articles of organization as an individual, corporation, partnership or other person or entity which, together with its affiliates and associates (as defined in Rule 12b-2 of the Exchange Act), beneficially owns (as defined in Rule 13d-3 of the Exchange Act) in the aggregate 20% or more of the shares of our capital stock entitled to vote generally for directors, and any affiliate or associate of such person or entity.

These provisions are not applicable if the business combination is: (i) approved by two-thirds of “continuing directors” (as defined in our articles of organization); (ii) solely between UniFirst and another corporation, 100% of the voting stock of which is owned directly or indirectly by UniFirst; or (iii) a merger or consolidation and the consideration to be received per share by holders of UniFirst capital stock in the business combination is cash and is in an amount not less than the highest per share price (as adjusted for recapitalizations, stock splits, stock dividends, etc.) paid by the related person in acquiring any of its holdings in UniFirst’s Common Stock.

Business combinations are also governed by Chapter 110F of the MBCA, which generally prohibits a Massachusetts corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A Massachusetts corporation may “opt out” of these provisions with an express provision in its original articles of organization or an express provision in its articles of organization or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. The provisions of the MBCA and of our articles of organization could have the effect of discouraging others from attempting takeovers and could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interest.

Control Share Acquisitions. We are also subject to the provisions of Chapter 110D of the MBCA, which provides that any person, including his, her or its affiliates, who acquires shares of a corporation that are subject to the control share acquisitions statute and whose shares represent one-fifth or more, one-third or more, or a majority or more of the voting power of the corporation in the election of directors cannot exercise any voting power with respect to those shares, or any shares acquired by the person within 90 days before or after an acquisition of this nature, unless these voting rights are authorized by the stockholders of the corporation.

The authorization of such voting rights requires the affirmative vote of the holders of a majority of the outstanding voting shares of a corporation, excluding shares owned by: (i) the person making an acquisition of this nature; (ii) any officer of the corporation; and (iii) any employee who is also a director of the corporation.

The MBCA permits the corporation, to the extent authorized by its articles of organization or bylaws, to redeem all shares acquired by an acquiring person in a control share acquisition for fair value if (i) no control share acquisition statement is delivered by the acquiring person or (ii) a control share acquisition statement has been delivered and voting rights were not authorized for such shares by the corporation's stockholders in accordance with the applicable provision of Chapter 110D. Our by-laws authorize such a redemption.

There are several other types of share acquisitions that are not subject to these provisions of the MBCA, including acquisitions of shares under a tender offer, merger or consolidation which is made in connection with an agreement to which the corporation is a party or to acquisitions of shares directly from the corporation or a wholly owned subsidiary thereof.

We may amend our articles of organization or by-laws at any time to elect not to be governed by Chapter 110D of the MBCA, but such amendment would not apply to an acquisition that occurred prior to the effective date of such amendment.

Exhibit 21

List of subsidiaries of the Company:

Name of Subsidiary	Jurisdiction of Organization or Incorporation
UniFirst Holdings, Inc.	Delaware
UniTech Services Group, Inc.	California
UniFirst First-Aid Corporation	Maryland
UniTech Services Canada Ltd.	Canada
UniTech Services SAS	France
UniTech Services B.V.	Netherlands
UniTech Services GmbH	Germany
UniTech Services Group Ltd.	United Kingdom
UniFirst Canada Ltd.	Canada
RC Air LLC	New Hampshire
UONE Corporation	Massachusetts
Uniformes de San Luis S.A. de C.V.	Mexico
UniFirst S.A. de C.V.	Mexico
UniFirst Far East Limited	Hong Kong
UniFirst Manufacturing Corporation	Massachusetts
UniFirst Nicaragua S.A. de C.V.	Nicaragua

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-96097) pertaining to the UniFirst Corporation 1996 Stock Incentive Plan,
(2) Registration Statement (Form S-8 No. 333-82682) pertaining to the UniFirst Corporation 1996 Stock Incentive Plan,
(3) Registration Statement (Form S-8 No. 333-142138) pertaining to the UniFirst Corporation 1996 Stock Incentive Plan,
(4) Registration Statement (Form S-8 No. 333-165840) pertaining to the UniFirst Corporation 1996 Stock Incentive Plan,
(5) Registration Statement (Form S-8 No. 333-177485) pertaining to the UniFirst Corporation 2010 Stock Option and Incentive Plan, and
(6) Registration Statement (Form S-8 No. 333-203339) pertaining to the UniFirst Corporation Amended and Restated 2010 Stock Option and Incentive Plan;

of our reports dated October 29, 2019, with respect to the consolidated financial statements and schedule of UniFirst Corporation and subsidiaries, and the effectiveness of internal control over financial reporting of UniFirst Corporation and subsidiaries, included in this Annual Report (Form 10-K) of UniFirst Corporation for the year ended August 31, 2019.

/s/ Ernst & Young LLP

Boston, Massachusetts
October 29, 2019

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven S. Sintros, certify that:

1. I have reviewed this Annual Report on Form 10-K of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant, and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 29, 2019

By:/s/ Steven S. Sintros
Steven S. Sintros

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shane O’Connor, certify that:

1. I have reviewed this Annual Report on Form 10-K of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant, and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: October 29, 2019

By:/s/ Shane O’Connor
Shane O’Connor

Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Steven S. Sintros, President and Chief Executive Officer of UniFirst Corporation (the “Company”), do hereby certify, to the best of my knowledge, that:

(1) The Company’s Annual Report on Form 10-K for the year ended August 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

By:/s/ Steven S. Sintros

Steven S. Sintros

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Shane O'Connor, Senior Vice President and Chief Financial Officer of UniFirst Corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

(1) The Company's Annual Report on Form 10-K for the year ended August 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

By: /s/ Shane O'Connor

Shane O'Connor

Senior Vice President and Chief Financial Officer (Principal Financial Officer)