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

FORM 10-Q

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

For the quarterly period ended **February 27, 2010**

OR

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

For the transition period from _____ to _____

Commission file number: **1-8504**

UNIFIRST CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Massachusetts

(State or Other Jurisdiction of
Incorporation or Organization)

68 Jonspin Road, Wilmington, MA
(Address of Principal Executive Offices)

04-2103460

(I.R.S. Employer
Identification No.)

01887
(Zip Code)

(978) 658-8888

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

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

The number of outstanding shares of UniFirst Corporation Common Stock and Class B Common Stock at April 2, 2010 were 14,508,379 and 4,913,369, respectively.

UniFirst Corporation
Quarterly Report on Form 10-Q
For the Quarter ended February 27, 2010

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

UniFirst Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

(In thousands, except per share data)	Thirteen weeks ended		Twenty-six weeks ended	
	February 27, 2010	February 28, 2009	February 27, 2010	February 28, 2009
Revenues	\$ 253,562	\$ 257,285	\$ 509,741	\$ 519,839
Operating expenses:				
Cost of revenues (1)	157,025	158,972	306,249	316,035
Selling and administrative expenses (1)	52,423	50,113	103,895	107,600
Depreciation and amortization	15,033	14,339	30,089	28,042
Total operating expenses	<u>224,481</u>	<u>223,424</u>	<u>440,233</u>	<u>451,677</u>
Income from operations	<u>29,081</u>	<u>33,861</u>	<u>69,508</u>	<u>68,162</u>
Other expense (income):				
Interest expense	2,185	2,324	4,369	4,915
Interest income	(545)	(547)	(1,069)	(1,051)
Exchange rate loss	783	195	582	1,129
	<u>2,423</u>	<u>1,972</u>	<u>3,882</u>	<u>4,993</u>
Income before income taxes	26,658	31,889	65,626	63,169
Provision for income taxes	<u>10,432</u>	<u>13,609</u>	<u>25,824</u>	<u>26,027</u>
Net income	<u>\$ 16,226</u>	<u>\$ 18,280</u>	<u>\$ 39,802</u>	<u>\$ 37,142</u>
Income per share – Basic:				
Common Stock	\$ 0.88	\$ 1.00	\$ 2.16	\$ 2.03
Class B Common Stock	\$ 0.71	\$ 0.80	\$ 1.73	\$ 1.62
Income per share – Diluted:				
Common Stock	\$ 0.83	\$ 0.94	\$ 2.05	\$ 1.92
Weighted average number of shares outstanding – Basic:				
Common Stock	14,467	14,389	14,454	14,387
Class B Common Stock	4,931	4,935	4,932	4,935
	<u>19,398</u>	<u>19,324</u>	<u>19,386</u>	<u>19,322</u>
Weighted average number of shares outstanding – Diluted:				
Common Stock	<u>19,477</u>	<u>19,354</u>	<u>19,455</u>	<u>19,368</u>
Dividends per share:				
Common Stock	\$ 0.0375	\$ 0.0375	\$ 0.0750	\$ 0.0750
Class B Common Stock	\$ 0.0300	\$ 0.0300	\$ 0.0600	\$ 0.0600

(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.

UniFirst Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

(In thousands, except share data)	February 27, 2010	August 29, 2009 (a)
Assets		
Cash and cash equivalents	\$ 84,249	\$ 60,151
Receivables, less reserves of \$5,679 and \$5,567, respectively	105,564	97,784
Inventories	40,379	43,586
Rental merchandise in service	75,318	73,063
Prepaid and deferred income taxes	25,752	24,901
Prepaid expenses	3,352	2,889
Total current assets	334,614	302,374
Property, plant and equipment:		
Land, buildings and leasehold improvements	328,950	325,034
Machinery and equipment	363,113	352,511
Motor vehicles	121,268	113,048
	813,331	790,593
Less -- accumulated depreciation	427,537	407,823
	385,794	382,770
Goodwill	267,811	261,171
Customer contracts, net	57,622	56,616
Other intangible assets, net	2,995	3,438
Other assets	2,420	2,416
	\$ 1,051,256	\$ 1,008,785
Liabilities and shareholders' equity		
Current liabilities:		
Current maturities of long-term obligations	\$ 6,058	\$ 6,447
Accounts payable	39,469	41,180
Accrued liabilities	108,009	104,003
Accrued income taxes	—	2,437
Total current liabilities	153,536	154,067
Long-term obligations, net of current maturities	175,411	175,568
Deferred income taxes	52,290	52,115
Commitments and contingencies (Note 9)		
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; 14,498,879 and 14,435,254 issued and outstanding, respectively	1,450	1,443
Class B Common Stock, \$0.10 par value; 20,000,000 shares authorized; 4,921,369 and 4,933,369 issued and outstanding, respectively	492	493
Capital surplus	21,976	20,137
Retained earnings	643,683	605,262
Accumulated other comprehensive income (loss)	2,418	(300)
Total shareholders' equity	670,019	627,035
	\$ 1,051,256	\$ 1,008,785

(a) Derived from audited financial statements

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

UniFirst Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Twenty-six weeks ended	
	February 27, 2010	February 28, 2009
(In thousands)		
Cash flows from operating activities:		
Net income	\$ 39,802	\$ 37,142
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	25,619	23,546
Amortization of intangible assets	4,470	4,496
Amortization of deferred financing costs	133	133
Deferred income taxes	(340)	(163)
Stock-based compensation	848	496
Accretion on environmental contingencies	397	334
Accretion on asset retirement obligations	284	253
Changes in assets and liabilities, net of acquisitions:		
Receivables	(6,890)	(2,882)
Inventories	3,042	(5,923)
Rental merchandise in service	(846)	10,843
Prepaid expenses	(448)	(2,231)
Accounts payable	(1,760)	(13,000)
Accrued liabilities	3,876	1,542
Accrued income taxes	(3,050)	5,746
Net cash provided by operating activities	<u>65,137</u>	<u>60,332</u>
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(13,156)	(3,248)
Capital expenditures	(27,840)	(39,235)
Other	(1,106)	318
Net cash used in investing activities	<u>(42,102)</u>	<u>(42,165)</u>
Cash flows from financing activities:		
Proceeds from long-term obligations	8,850	102,659
Payments on long-term obligations	(9,006)	(118,374)
Proceeds from exercise of Common Stock options	996	31
Payment of cash dividends	(1,381)	(1,376)
Net cash used in financing activities	<u>(541)</u>	<u>(17,060)</u>
Effect of exchange rate changes	1,604	(2,697)
Net increase (decrease) in cash and cash equivalents	24,098	(1,590)
Cash and cash equivalents at beginning of period	<u>60,151</u>	<u>25,655</u>
Cash and cash equivalents at end of period	<u>\$ 84,249</u>	<u>\$ 24,065</u>

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

UniFirst Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

These Consolidated Financial Statements of UniFirst Corporation (the “Company”) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the information furnished reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period.

It is suggested that these Consolidated Financial Statements be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 29, 2009. There have been no material changes in the accounting policies followed by the Company during the current fiscal year. Results for an interim period are not indicative of any future interim periods or for an entire fiscal year.

2. Recent Accounting Pronouncements

In June 2008, the FASB issued revised guidance which clarifies whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore, need to be included in the earnings allocation in computing earnings per share (EPS). The Company adopted the revised guidance on August 30, 2009, and the adoption did not have a material impact on its Consolidated Financial Statements.

In June 2009, the FASB approved its Accounting Standards Codification, (the “Codification”), as the single source of authoritative United States accounting and reporting standards applicable for all non-governmental entities, with the exception of the SEC and its staff. The Codification, which changes the referencing of financial standards, was effective for interim or annual financial periods ending after September 15, 2009. Therefore, starting in the Company’s first quarter of fiscal 2010, any references made to US GAAP use the new Codification numbering system prescribed by the FASB. The Codification was not intended to change or alter existing US GAAP and, as a result, it did not have any impact on the Company’s Consolidated Financial Statements.

In January 2010, the FASB issued revised guidance which requires additional disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy. The revised guidance also requires additional separate disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, and clarifies, among other things, the existing fair value disclosures about the level of disaggregation. This pronouncement is effective for interim and annual financial periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, which are effective for interim and annual financial periods beginning after December 15, 2010. The Company expects the adoption of this guidance will not have a material impact on its Consolidated Financial Statements.

3. Acquisitions

During the twenty-six weeks ended February 27, 2010, the Company completed five acquisitions with an aggregate purchase price of approximately \$13.2 million. The results of operations of these acquisitions have been included in the Company’s consolidated financial results since their respective acquisition dates. None of these acquisitions was significant in relation to the Company’s consolidated financial results and, therefore, pro forma financial information has not been presented.

4. Fair Value Measurements

US 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 US 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 table below (in thousands):

	As of February 27, 2010			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash Equivalents	\$ 25,576	—	—	\$ 25,576
Total	\$ 25,576	—	—	\$ 25,576
Liabilities:				
Derivative Instruments	\$ —	3,017	—	\$ 3,017

Total	\$	—	3,017	—	\$	3,017
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5. Derivative Instruments and Hedging Activities

All derivative financial instruments are recognized at fair value and are recorded in the accrued liabilities line item in the Company's Consolidated Balance Sheets. In January 2008, the Company entered into an interest rate swap agreement to manage its exposure to interest rate movements and the related effect on its variable rate debt. The Company concluded that the interest rate swap met the criteria to qualify as a cash flow hedge under US GAAP. Accordingly, the Company has reflected all changes in the fair value of the swap agreement in accumulated other comprehensive income (loss), a component of shareholders' equity. The swap agreement, with a notional amount of \$100.0 million, matures on March 14, 2011. The Company pays a fixed rate of 3.51% and receives a variable rate tied to the three month LIBOR rate.

As of February 27, 2010, the Company had recorded the fair value of the interest rate swap of \$3.0 million in accrued liabilities and a corresponding loss of \$1.8 million in accumulated other comprehensive income (loss), which was net of the associated tax benefit. As of August 29, 2009, the amounts recorded in accrued liabilities and other comprehensive income were \$3.6 million and \$2.2 million, respectively. Of the \$1.8 million loss deferred in accumulated other comprehensive income (loss) as of February 27, 2010, a \$1.8 million loss is expected to be reclassified to interest expense in the next twelve months.

The Company has recorded any realized gains or losses from its interest rate swap as an adjustment to interest expense in its Consolidated Statements of Income. For the thirteen weeks ended February 27, 2010 and February 28, 2009, the Company reclassified a loss from accumulated other comprehensive income (loss) into interest expense totaling \$0.8 million and \$0.3 million, respectively. For the twenty-six weeks ended February 27, 2010 and February 28, 2009, the Company reclassified a loss from accumulated other comprehensive income (loss) into interest expense totaling \$1.6 million and \$0.5 million, respectively.

6. 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 employees not under collective bargaining agreements. The Company matches a portion of the employee's contribution and can make an additional contribution at its discretion. Contributions charged to expense under the plan for the thirteen weeks ended February 27, 2010 and February 28, 2009 were \$2.7 million and \$2.9 million, respectively. Contributions charged to expense under the plan for the twenty-six weeks ended February 27, 2010 and February 28, 2009 were \$5.3 million and \$5.6 million, respectively.

Pension Plans and Supplemental Executive Retirement Plans

The Company maintains an unfunded Supplemental Executive Retirement Plan for certain eligible employees of the Company, a non-contributory defined benefit pension plan covering union employees at one of its locations, and a frozen pension plan the Company assumed in connection with its acquisition of Textilease Corporation in fiscal 2004. The amounts charged to expense related to these plans for the thirteen weeks ended February 27, 2010 and February 28, 2009 were \$0.5 million and \$0.4 million, respectively. The amounts charged to expense related to these plans for both the twenty-six weeks ended February 27, 2010 and February 28, 2009 were \$0.9 million.

7. Net Income Per Share

As described in Note 2, *Recent Accounting Pronouncements*, the Company adopted revised guidance on August 30, 2009 which clarifies whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in computing earnings per share. This adoption did not have an impact on the basic or diluted earnings per share for the thirteen week or twenty-six week periods ended February 27, 2010. The following table sets forth the computation of basic and diluted earnings 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):

	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>February</u>	<u>February</u>	<u>February</u>	<u>February</u>
	<u>27,</u>	<u>28,</u>	<u>27,</u>	<u>28,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net income available to shareholders	\$ 16,226	\$ 18,280	\$ 39,802	\$ 37,142
Allocation of net income for Basic:				
Common Stock	\$ 12,750	\$ 14,344	\$ 31,267	\$ 29,144
Class B Common Stock	3,476	3,936	8,535	7,998
	\$ 16,226	\$ 18,280	\$ 39,802	\$ 37,142

The diluted earnings per share calculation assumes the conversion of all of the Company's Class B Common Stock into Common Stock, so no allocation of earnings to Class B Common Stock is required.

The following table illustrates the weighted average number of shares of Common Stock and Class B Common Stock shares outstanding during the thirteen and twenty-six weeks ended February 27, 2010 and February 28, 2009 and is utilized in the calculation of earnings per share (in thousands):

	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>February</u>	<u>February</u>	<u>February</u>	<u>February</u>
	<u>27,</u>	<u>28,</u>	<u>27,</u>	<u>28,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>

Weighted average number of Common shares — Basic	14,467	14,389	14,454	14,387
Add: effect of dilutive potential common shares — Common Stock options and restricted stock	79	30	69	46
Add: assumed conversion of Class B Common shares into Common Stock	4,931	4,935	4,932	4,935
Weighted average number of Common shares — Diluted	19,477	19,354	19,455	19,368
Weighted average number of Class B Common shares — Basic	4,931	4,935	4,932	4,935

Stock options to purchase 110,300 shares of Common Stock were excluded from the calculation of diluted earnings per share for both the thirteen and twenty-six weeks ended February 27, 2010 because they were anti-dilutive. Stock options to purchase 278,100 shares of Common Stock were excluded from the calculation of diluted earnings per share for both the thirteen and twenty-six weeks ended February 28, 2009 because they were anti-dilutive.

8. Asset Retirement Obligations

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 thirty-four years.

A reconciliation of the Company's asset retirement liability is as follows (in thousands):

	February 27, 2010
Beginning balance as of August 29, 2009	\$ 8,584
Accretion expense	284
Ending balance as of February 27, 2010	\$ 8,868

As of February 27, 2010, the \$8.9 million asset retirement obligation is included in accrued liabilities in the accompanying Consolidated Balance Sheets.

9. Commitments and Contingencies

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of hazardous waste and other substances. In particular, industrial laundries 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. In the past, 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.

US 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. 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, insurance proceeds, participation by other parties, the timing of payments and the input of outside consultants and attorneys based on changing legal or 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, three sites related to former operations in Williamstown, Vermont, as well as a number of additional locations that it acquired as part of its acquisition of Textilease Corporation in September 2003.

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 continues to implement mitigation measures and to monitor environmental conditions at the Somerville, Massachusetts site. The Company also has potential exposure related to an additional parcel of land (the "Central Area") related to the Woburn, Massachusetts site discussed 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 met with EPA to discuss its comments, and the Company and another signatory to the consent decree subsequently submitted draft work plans to perform additional environmental investigations. The Company is continuing to work with EPA to implement the final work plans and to respond to EPA's comments on other issues. The Company has accrued costs to perform certain work responsive to EPA's comments.

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. The Company’s accruals reflect the amount within the range that constitutes its best 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 risk-free rates of interest ranging from 3.5% to 4.2%.

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 Consolidated Statements of Income. The changes to the Company’s environmental liabilities for the twenty-six weeks ended February 27, 2010 are as follows (in thousands):

	February 27, 2010
Beginning balance as of August 29, 2009	\$ 19,384
Costs incurred for which reserves have been provided	(1,299)
Insurance proceeds received	127
Interest accretion	397
Change in estimate of liability	(167)
Balance as of February 27, 2010	<u>\$ 18,442</u>

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of February 27, 2010, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below (in thousands).

Fiscal year ended August	2010	2011	2012	2013	2014	Thereafter	Total
Estimated costs – current dollars	\$ 3,716	2,616	2,027	963	920	13,636	\$ 23,878
Estimated insurance proceeds	(203)	(157)	(180)	(150)	(180)	(2,175)	(3,045)
Net anticipated costs	<u>\$ 3,513</u>	<u>2,459</u>	<u>1,847</u>	<u>813</u>	<u>740</u>	<u>11,461</u>	<u>\$ 20,833</u>
Effect of Inflation							7,976
Effect of Discounting							<u>(10,367)</u>
Balance as of February 27, 2010							<u>\$ 18,442</u>

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 three 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 February 27, 2010, the balance in this escrow account, which is held in a trust and is not recorded on the Company’s Consolidated Balance Sheets, was approximately \$2.7 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.

From time to time, the Company is also subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to charges for certain ancillary services on invoices, personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible 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 accrued or covered by insurance, will not have a material adverse effect on the consolidated financial position and/or results of operations of the Company. It is possible, however, that future financial position or results of operations for any particular 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.

10. Income Taxes

The Company’s effective income tax rate was 39.1% and 39.4% for the thirteen and twenty-six weeks ended February 27, 2010, respectively, as compared to 42.7% and 41.2% for the thirteen and twenty-six weeks ended February 28, 2009, respectively. The decrease in the effective income tax rate was because the fiscal 2009 rate was negatively impacted by increases to the Company’s reserves for tax contingencies. The Company recognizes 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. During the twenty-six weeks ended February 27, 2010, there were no material changes in the amount of unrecognized tax benefits or the amount accrued for interest and penalties.

All U.S. and Canadian federal income tax examinations have substantially concluded through fiscal years 2004 and 2001, respectively. With a few exceptions, the Company is no longer subject to state and local income tax examinations for periods prior to fiscal 2003. 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.

11. Long-Term Obligations

The Company has a \$225.0 million unsecured revolving credit agreement (“Credit Agreement”) with a syndicate of banks, which matures on September 13, 2011. Under the Credit Agreement, the Company is able to borrow funds at variable interest rates based on the Eurodollar rate or the bank’s prime rate, as selected by the Company. Availability of credit requires compliance with certain financial and other covenants, including a maximum funded debt ratio and minimum interest coverage as defined in the Credit Agreement. The Company generally tests its compliance with these financial covenants on a fiscal quarterly basis. At February 27, 2010, the interest rates applicable to the Company’s borrowings under the Credit Agreement would be calculated as LIBOR plus 50 basis points at the time of the respective borrowing. As of February 27, 2010, the Company had no outstanding borrowings, letters of credit of \$36.5 million and \$188.5 million available for borrowing under the Credit Agreement.

On June 14, 2004, the Company issued \$75.0 million of fixed rate notes pursuant to a Note Purchase Agreement (“2004 Note Agreement”) with a seven year term (June 2011) and bearing interest at 5.27%. The Company also issued \$90.0 million of floating rate notes which were repaid in September 2005 and September 2006.

On September 14, 2006, the Company issued \$100.0 million of floating rates notes (“Floating Rate Notes”) pursuant to a Note Purchase Agreement (“2006 Note Agreement”). The Floating Rate Notes mature on September 14, 2013, bear interest at LIBOR plus 50 basis points and may be repaid at face value two years from the date of issuance. The proceeds from the issuance of the Floating Rate Notes were used to first repay the outstanding floating rate notes under the 2004 Note Agreement in the amount of \$75.0 million and then to pay down outstanding amounts under the Credit Agreement.

As of February 27, 2010, the Company was in compliance with all covenants under the 2004 Note Agreement, 2006 Note Agreement and the Credit Agreement.

12. Comprehensive Income

The components of comprehensive income are as follows (in thousands):

	Thirteen weeks ended		Twenty-six weeks ended	
	February 27, 2010	February 28, 2009	February 27, 2010	February 28, 2009
Net income	\$ 16,226	\$ 18,280	\$ 39,802	\$ 37,142
Other comprehensive income (loss):				
Foreign currency translation adjustments	143	(2,257)	2,357	(12,932)
Pension-related	—	—	—	(473)
Change in value of interest rate swap, net	314	(107)	361	(1,900)
Comprehensive income	\$ 16,683	\$ 15,916	\$ 42,520	\$ 21,837

13. 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; US Rental and Cleaning, Canadian Rental and Cleaning, Manufacturing (MFG), Corporate, Specialty Garments Rental and Cleaning (Specialty Garments) and First Aid. The US Rental and Cleaning and Canadian Rental and Cleaning operating segments have been combined to form the US and Canadian Rental and Cleaning reporting segment, and as a result, the Company has five reporting segments.

The US 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 US 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 solely for the purpose of providing these goods to the US and Canadian Rental and Cleaning reporting segment. MFG revenues are generated when goods are shipped from the Company’s manufacturing facilities to other Company locations. These revenues are recorded at a transfer price which is typically in excess of the actual manufacturing cost. The transfer price is determined by management and may not necessarily represent the fair value of the products manufactured. Products are carried in inventory and subsequently placed in service and 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 US 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 US 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 US 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 US 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. The First Aid operating segment sells first aid cabinet services and other safety supplies.

The Company refers to the US 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 table (in thousands):

	US and Canadian			Subtotal Core Laundry Operations				Specialty	First Aid	Total
	Rental and Cleaning	MFG	Net Interco MFG Elim	Corporate	Operations	Garments				
Thirteen weeks ended										
February 27, 2010										
Revenues	\$ 225,671	\$ 22,082	\$ (22,082)	\$ 1,611	\$ 227,282	\$ 19,428	\$ 6,852	\$ 253,562		
Income (loss) from operations	\$ 35,661	\$ 8,005	\$ (737)	\$ (16,139)	\$ 26,790	\$ 2,122	\$ 169	\$ 29,081		
Interest (income) expense, net	\$ (518)	\$ —	\$ —	\$ 2,158	\$ 1,640	\$ —	\$ —	\$ 1,640		
Income (loss) before taxes	\$ 36,181	\$ 8,014	\$ (737)	\$ (18,304)	\$ 25,154	\$ 1,334	\$ 170	\$ 26,658		
Thirteen weeks ended										
February 28, 2009										
Revenues	\$ 231,934	\$ 19,478	\$ (19,478)	\$ 1,779	\$ 233,713	\$ 16,939	\$ 6,633	\$ 257,285		
Income (loss) from operations	\$ 41,952	\$ 6,427	\$ 255	\$ (16,567)	\$ 32,067	\$ 1,650	\$ 144	\$ 33,861		
Interest (income) expense, net	\$ (570)	\$ —	\$ —	\$ 2,347	\$ 1,777	\$ —	\$ —	\$ 1,777		
Income (loss) before taxes	\$ 42,528	\$ 6,571	\$ 255	\$ (18,913)	\$ 30,441	\$ 1,304	\$ 144	\$ 31,889		
Twenty-six weeks ended										
February 27, 2010										
Revenues	\$ 449,550	\$ 42,462	\$ (42,462)	\$ 3,518	\$ 453,068	\$ 42,305	\$ 14,368	\$ 509,741		
Income (loss) from operations	\$ 77,152	\$ 16,346	\$ (1,999)	\$ (29,317)	\$ 62,182	\$ 6,735	\$ 591	\$ 69,508		
Interest (income) expense, net	\$ (985)	\$ —	\$ —	\$ 4,285	\$ 3,300	\$ —	\$ —	\$ 3,300		
Income (loss) before taxes	\$ 78,143	\$ 16,290	\$ (1,999)	\$ (33,598)	\$ 58,836	\$ 6,198	\$ 592	\$ 65,626		
Twenty-six weeks ended										
February 28, 2009										
Revenues	\$ 467,284	\$ 45,938	\$ (45,938)	\$ 3,933	\$ 471,217	\$ 34,680	\$ 13,942	\$ 519,839		
Income (loss) from operations	\$ 83,176	\$ 15,700	\$ (1,211)	\$ (32,994)	\$ 64,671	\$ 3,397	\$ 94	\$ 68,162		
Interest (income) expense, net	\$ (1,070)	\$ —	\$ —	\$ 4,934	\$ 3,864	\$ —	\$ —	\$ 3,864		
Income (loss) before taxes	\$ 84,258	\$ 16,174	\$ (1,211)	\$ (38,154)	\$ 61,067	\$ 2,008	\$ 94	\$ 63,169		

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any documents incorporated by reference contain forward looking statements within the meaning of the federal securities laws. Forward looking statements contained in this Quarterly Report on Form 10-Q 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," 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 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, our ability to compete successfully without any significant degradation in our margin rates, seasonal fluctuations in business levels, uncertainties regarding the price levels of natural gas, electricity, fuel and labor, the impact of negative economic conditions on our customers and such customers' workforce, the continuing increase in domestic healthcare costs, demand and prices for our products and services, additional professional and internal costs necessary for compliance with recent and proposed future changes in Securities and Exchange Commission (including the Sarbanes-Oxley Act of 2002), 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, general economic conditions and other factors described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended August 29, 2009 and in other filings with the Securities and Exchange Commission. We undertake no obligation to update any forward looking statements to reflect events or circumstances arising after the date on which such statements are made.

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 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 industrial wiping products, floor mats, facility service products and other non-garment items, and provide 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 supplies, including air fresheners, paper products and hand soaps.

At certain specialized facilities, we also decontaminate and clean work clothes that may have been exposed to radioactive materials and service special cleanroom protective wear. 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 225,000 customer locations in the United States, Canada and Europe from approximately 200 customer service, distribution and manufacturing facilities.

As discussed and described in Note 13 to the Consolidated Financial Statements, we have five reporting segments: US and Canadian Rental and Cleaning, Manufacturing ("MFG"), Corporate, Specialty Garments Rental and Cleaning ("Specialty Garments") and First Aid. We refer to the laundry locations of the US and Canadian Rental and Cleaning reporting segment as "industrial laundries" or "industrial laundry locations", and to the US and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as our "core laundry operations."

Critical Accounting Policies and Estimates

The discussion of the financial condition and results of operations is based upon the Consolidated Financial Statements, which have been prepared in conformity with United States generally accepted accounting principles ("US GAAP"). As such, management is required to make certain estimates, judgments and assumptions that are believed to be reasonable based on the information available. These estimates and assumptions affect the reported amount of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, the most important and pervasive accounting policies used and areas most sensitive to material changes from external factors. See Note 1 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 29, 2009 for additional discussion of the application of these and other accounting policies.

Results of Operations

The amounts of revenues and certain expense items for the thirteen and twenty-six weeks ended February 27, 2010 and the thirteen and twenty-six weeks ended February 28, 2009, and the percentage changes in revenues and certain expense items as a percentage of total revenues between these periods, are presented in the following table. Cost of revenues presented in the table below include merchandise costs related to the amortization of rental merchandise in service and direct sales as well as labor and other production, service and delivery costs associated with operating our industrial laundries, Specialty Garments facilities, First Aid locations and our distribution center. 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 and operating locations including information systems, engineering, materials management, manufacturing planning, finance, budgeting, and human resources.

(In thousands, except percentages)	Thirteen weeks ended					Twenty-six weeks ended				
	February 27, 2010	% of Rev.	February 28, 2009	% of Rev.	% Change	February 27, 2010	% of Rev.	February 28, 2009	% of Rev.	% Change

Revenues	\$ 253,562	100.0%	\$ 257,285	100.0%	-1.4%	\$ 509,741	100%	\$ 519,839	100.0%	-1.9%
Operating expenses:										
Cost of revenues (1)	157,025	61.9	158,972	61.8	-1.2	306,249	60.1	316,035	60.8	-3.1
Selling and administrative expenses (1)	52,423	20.7	50,113	19.5	4.6	103,895	20.4	107,600	20.7	-3.4
Depreciation and amortization	15,033	5.9	14,339	5.6	4.8	30,089	5.9	28,042	5.4	7.3
	224,481	88.5	223,424	86.8	0.5	440,233	86.4	451,677	86.9	-2.5
Income from operations	29,081	11.5	33,861	13.2	-14.1	69,508	13.6	68,162	13.1	2.0
Other expense (income)	2,423	1.0	1,972	0.8	22.9	3,882	0.8	4,993	1.0	-22.3
Income before income taxes	26,658	10.5	31,889	12.4	-16.4	65,626	12.9	63,169	12.2	3.9
Provision for income taxes	10,432	4.1	13,609	5.3	-23.3	25,824	5.1	26,027	5.0	-0.8
Net income	\$ 16,226	6.4%	\$ 18,280	7.1%	-11.2%	\$ 39,802	7.8%	\$ 37,142	7.1%	7.2%

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

The current worldwide economic weakness may negatively impact our revenues and operating performance during fiscal 2010 due to the impact on spending plans and employment levels of our customers and sales prospects. Throughout fiscal 2009 and into fiscal 2010, the U.S. unemployment rates continued to rise, which impacted our broad customer base. Lost accounts have increased, and may continue to increase, as we continue to see a larger number of accounts going out of business or in financial distress.

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 first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies.

Thirteen weeks ended February 27, 2010 compared with thirteen weeks ended February 28, 2009

Revenues

	February 27, 2010	February 28, 2009	Dollar Change	Percent Change
(In thousands, except percentages)				
Core Laundry Operations	\$ 227,282	\$ 233,713	\$ (6,431)	-2.8%
Specialty Garments	19,428	16,939	2,489	14.7
First Aid	6,852	6,633	219	3.3
Consolidated total	\$ 253,562	\$ 257,285	\$ (3,723)	-1.4%

For the thirteen weeks ended February 27, 2010, our consolidated revenues decreased by \$3.7 million from the comparable period in fiscal 2009, or 1.4%. The consolidated decrease was the result of a \$6.4 million decrease in revenues in our core laundry operations. Core laundry operations' revenues decreased to \$227.3 million for the thirteen weeks ended February 27, 2010 from \$233.7 million for the comparable period of fiscal 2009, or 2.8%. This decrease was attributable to negative organic growth (which is net of the impact of acquisitions and changes in foreign currency) of 5.0%, which was partially offset by an increase from the effect of foreign exchange rate fluctuations on our Canadian revenues of 1.2% and acquisition-related growth of 1.0%. Organic growth is comprised of new sales, additions to our existing customer base and price increases offset by lost accounts and reductions to our existing customer base. The negative organic growth rate of 5.0% for the second quarter of fiscal 2010 was primarily due to the high rate of wearer reductions that we experienced in our existing customer base throughout fiscal 2009. Throughout fiscal 2009, the deteriorating worldwide economic conditions resulted in increased domestic layoffs, which were reflected in the reduction of wearers throughout our broad customer base. Lost accounts also increased in 2009 as we saw a larger number of accounts either go out of business or in financial distress.

Specialty Garments revenues increased to \$19.4 million in the second quarter of 2010 from \$16.9 million in the comparable period of 2009, an increase of 14.7%. The increase in the quarterly revenues was primarily related to the timing of our customers' power reactor outages in the U.S. and Canadian markets.

Cost of Revenues

Cost of revenues decreased from \$159.0 million for the thirteen weeks ended February 28, 2009 to \$157.0 million for the thirteen weeks ended February 27, 2010. However, these costs as a percentage of revenues increased from 61.8% of revenues for the thirteen weeks ended February 28, 2009 to 61.9% of revenues for the thirteen weeks ended February 27, 2010. This increase as a percentage of revenues was primarily driven by higher payroll and payroll-related costs, and energy and other production costs as a percentage of revenues, which were substantially offset by lower merchandise costs as a percentage of revenues.

Selling and Administrative Expense

Our selling and administrative expenses increased from \$50.1 million, or 19.5% of revenues, for the thirteen weeks ended February 28, 2009 to \$52.4 million, or 20.7% of revenues, for the thirteen weeks ended February 27, 2010. This increase was primarily due to increases in payroll and payroll-related costs.

Depreciation and Amortization

Our depreciation and amortization expense increased to \$15.0 million for the thirteen weeks ended February 27, 2010 from \$14.3 million for the thirteen weeks ended February 28, 2009. The increase in depreciation and amortization expense was due to capital expenditures and acquisition activity.

Income from Operations

For the thirteen weeks ended February 27, 2010 and February 28, 2009, changes in our revenues and costs as discussed above resulted in the following changes in our income from operations:

(In thousands, except percentages)	February 27, 2010	February 28, 2009	Dollar Change	Percent Change
Core Laundry Operations	\$ 26,790	\$ 32,067	\$ (5,277)	-16.5%
Specialty Garments	2,122	1,650	472	28.6
First Aid	169	144	25	17.8
Consolidated total	<u>\$ 29,081</u>	<u>\$ 33,861</u>	<u>\$ (4,780)</u>	<u>-14.1%</u>

Other Expense (income)

Other expense (income), which includes interest expense, interest income and foreign currency exchange (gain) loss, increased by \$0.4 million to \$2.4 million for the thirteen weeks ended February 27, 2010 as compared with \$2.0 million for the thirteen weeks ended February 28, 2009. This increase was due to unfavorable foreign currency fluctuations during the thirteen weeks ended February 27, 2010 resulting in a loss of \$0.8 million, as compared to a foreign currency exchange loss of \$0.2 million in the comparable period of fiscal 2009. Interest expense decreased to \$2.2 million for the thirteen weeks ended February 27, 2010 from \$2.3 million for the thirteen weeks ended February 28, 2009. The decrease in interest expense was attributable to lower average debt outstanding. For the thirteen weeks ended February 27, 2010, the average debt outstanding was \$181.7 million, as compared to \$225.4 million during the thirteen weeks ended February 28, 2009.

Provision for Income Taxes

Our effective income tax rate was 39.1% for the thirteen weeks ended February 27, 2010, as compared to 42.7% for the thirteen weeks ended February 28, 2009. The fiscal 2009 rate was negatively impacted by increases to our reserves for tax contingencies.

Twenty-six weeks ended February 27, 2010 compared with twenty-six weeks ended February 28, 2009

Revenues

(In thousands, except percentages)	February 27, 2010	February 28, 2009	Dollar Change	Percent Change
Core Laundry Operations	\$ 453,068	\$ 471,217	\$ (18,149)	-3.9%
Specialty Garments	42,305	34,680	7,625	22.0
First Aid	14,368	13,942	426	3.1
Consolidated total	<u>\$ 509,741</u>	<u>\$ 519,839</u>	<u>\$ (10,098)</u>	<u>-1.9%</u>

For the twenty-six weeks ended February 27, 2010, our consolidated revenues decreased by \$10.1 million from the comparable period in fiscal 2009, or 1.9%. The consolidated decrease was the result of an \$18.1 million decrease in revenues in our core laundry operations. Core laundry operations' revenues decreased to \$453.1 million for the twenty-six weeks ended February 27, 2010 from \$471.2 million for the comparable period of fiscal 2009, or 3.9%. This decrease was attributable to negative organic growth (which is net of the impact of acquisitions and changes in foreign currency) of 5.5%, which was partially offset by an increase from the effect of foreign exchange rate fluctuations on our Canadian revenues of 0.8% and acquisition-related growth of 0.8%. Organic growth is comprised of new sales, additions to our existing customer base and price increases offset by lost accounts and reductions to our existing customer base. The negative organic growth rate of 5.5% for the first half of fiscal 2010 is primarily due to the high rate of wearer reductions that we experienced in our existing customer base throughout fiscal 2009. Throughout fiscal 2009, the deteriorating worldwide economic conditions resulted in increased domestic layoffs, which were reflected in the reduction of wearers throughout our broad customer base. Lost accounts also increased in 2009 as we saw a larger number of accounts either go out of business or in financial distress.

Specialty Garments revenues increased to \$42.3 million in the first half of 2010 from \$34.7 million in the comparable period of 2009, an increase of 22.0%. The increase in the revenues was primarily related to the timing of our customers' power reactor outages in the U.S. and Canadian markets.

Cost of Revenues

Cost of revenues decreased from \$316.0 million, or 60.8% of revenues, for the twenty-six weeks ended February 28, 2009 to \$306.2 million, or 60.1% of revenues, for the twenty-six weeks ended February 27, 2010. This decrease was primarily driven by lower merchandise costs in our core laundry operations as well as lower fuel costs associated with operating our fleet of delivery trucks and lower natural gas costs for our industrial laundries. As a result of

headcount reductions during fiscal 2009, there was also a decrease in payroll costs. These benefits were partially offset by higher healthcare costs.

Selling and Administrative Expense

Our selling and administrative expenses decreased from \$107.6 million, or 20.7% of revenues, for the twenty-six weeks ended February 28, 2009 to \$103.9 million, or 20.4% of revenues, for the twenty-six weeks ended February 27, 2010. This decrease was primarily due to a decrease in payroll and payroll-related costs, as a result of headcount reductions in fiscal 2009, and reduced travel and other administrative costs from our continued focus on controlling expenses. In addition, the selling and administrative expense comparison benefitted from a \$1.6 million accounting charge we recorded in the thirteen weeks ended November 29, 2008 related to the effect of discount rate fluctuations on our environmental accruals. These benefits were partially offset by higher healthcare costs.

Depreciation and Amortization

Our depreciation and amortization expense increased to \$30.1 million for the twenty-six weeks ended February 27, 2010 from \$28.0 million for the twenty-six weeks ended February 28, 2009. The increase in depreciation and amortization expense was due to capital expenditures and acquisition activity.

Income from Operations

For the twenty-six weeks ended February 27, 2010 and the twenty-six weeks ended February 28, 2009, the revenue growth in our operations, as well as the change in our costs, discussed above, resulted in the following changes in our income from operations:

(In thousands, except percentages)	February 27, 2010	February 28, 2009	Dollar Change	Percent Change
Core Laundry Operations	\$ 62,182	\$ 64,671	\$ (2,489)	-3.8%
Specialty Garments	6,735	3,397	3,338	98.2
First Aid	591	94	497	531.9
Consolidated total	<u>\$ 69,508</u>	<u>\$ 68,162</u>	<u>\$ 1,346</u>	<u>2.0%</u>

Other Expense (income)

Other expense (income), which includes interest expense, interest income and foreign currency exchange (gain) loss, was \$3.9 million for the twenty-six weeks ended February 27, 2010 as compared with \$5.0 million for the twenty-six weeks ended February 28, 2009. This decrease was due to unfavorable foreign currency fluctuations during the twenty-six weeks ended February 27, 2010 resulting in a loss of \$0.6 million, as compared to a foreign currency exchange loss of \$1.1 million in the comparable period of fiscal 2009. Interest expense decreased to \$4.4 million for the twenty-six weeks ended February 27, 2010 from \$4.9 million for the twenty-six weeks ended February 28, 2009. The decrease in interest expense was attributable to lower average debt outstanding. For the twenty-six weeks ended February 27, 2010, the average debt outstanding was \$181.8 million, as compared to \$227.1 million during the twenty-six weeks ended February 28, 2009.

Provision for Income Taxes

Our effective income tax rate was 39.4% for the twenty-six weeks ended February 27, 2010, as compared to 41.2% for the twenty-six weeks ended February 28, 2009. The fiscal 2009 rate was negatively impacted by increases to our reserves for tax contingencies.

Liquidity and Capital Resources

General

As of February 27, 2010, we had cash and cash equivalents of \$84.2 million and working capital of \$181.1 million. We believe that current cash and cash equivalent balances, cash generated from operations and amounts available under our Credit Agreement (defined below) will be sufficient to meet our currently anticipated working capital and capital expenditure requirements for at least the next 12 months.

Sources and Uses of Cash

During the twenty-six weeks ended February 27, 2010, we generated cash from operating activities of \$65.1 million, resulting primarily from net income of \$39.8 million, amounts charged for depreciation and amortization of \$30.1 million, a decrease in inventories of \$3.0 million, an increase in accounts payable and accrued expenses of \$2.1 million and amounts charged to share based compensation of \$0.8 million. These inflows were partially offset by increases in accounts receivable of \$6.9 million, rental merchandise in service of \$0.8 million and prepaid expenses of \$0.4 million, and decreases in accrued and deferred income tax of \$3.4 million. We used our cash to, among other things, fund \$27.8 million in capital expenditures and fund the acquisitions of businesses in the amount of approximately \$13.2 million.

Long-Term Debt and Borrowing Capacity

We have a \$225.0 million unsecured revolving credit agreement (“Credit Agreement”) with a syndicate of banks, which matures on September 13, 2011. Under the Credit Agreement, we can borrow funds at variable interest rates based on the Eurodollar rate or the bank’s prime rate, as selected by us. Availability of credit requires our compliance with certain financial and other covenants, including a maximum funded debt ratio and minimum interest coverage as defined in the Credit Agreement. We generally test our compliance with these financial covenants on a fiscal quarterly basis. At February 27, 2010, the interest rates applicable to our borrowings under the Credit Agreement would be calculated as LIBOR plus 50 basis points at the time of the respective borrowing. As of February 27, 2010, we had no outstanding borrowings, letters of credit amounting to \$36.5 million and \$188.5 million available for borrowing under the Credit Agreement.

On June 14, 2004, we issued \$75.0 million of fixed rate notes pursuant to a Note Purchase Agreement ("2004 Note Agreement") with a seven year term (June 2011) and bearing interest at 5.27%. We also issued \$90.0 million of floating rate notes which were repaid in September 2005 and September 2006.

On September 14, 2006, we issued \$100.0 million of floating rates notes ("Floating Rate Notes") pursuant to a Note Purchase Agreement ("2006 Note Agreement"). The Floating Rate Notes mature on September 14, 2013, bear interest at LIBOR plus 50 basis points and may be repaid at face value two years from the date of issuance. The proceeds from the issuance of the 2006 Floating Rate Notes were used to first repay the \$75.0 million of outstanding Floating Rate Notes and then to pay down outstanding amounts under the Credit Agreement.

As of February 27, 2010, we were in compliance with all covenants under the 2004 Note Agreement, 2006 Note Agreement and the Credit Agreement.

In January 2008, we entered into an interest rate swap agreement to manage our exposure to interest rate movements and the related effect on our variable rate debt. The swap agreement, with a notional amount of \$100.0 million, matures on March 14, 2011. We pay a fixed rate of 3.51% and receive a variable rate tied to the three month LIBOR rate. We have accounted for this instrument as a cash flow hedge under US GAAP and, as a result, have recorded all changes in the fair value of the swap agreement in accumulated other comprehensive income, a component of shareholders' equity. For additional information regarding the interest rate swap, see Note 5 to the Consolidated Financial Statements.

Commitments and Contingencies

We are subject to various federal, state and local laws and regulations governing, among other things, 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.

US 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 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, management's estimates of costs, insurance proceeds, participation by other parties, the timing of payments and the input of outside consultants and attorneys based on changing legal or 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 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, three sites in Williamstown, Vermont, as well as a number of additional locations that we acquired as part of our acquisition of Textilease Corporation in September 2003.

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 continue to implement mitigation measures and to monitor environmental conditions at the Somerville, Massachusetts site. We also have potential exposure related to an additional parcel of land (the "Central Area") related to the Woburn, Massachusetts site discussed 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 met with EPA to discuss its comments, and we and another signatory to the consent decree subsequently submitted draft work plans to perform additional environmental investigations. We are continuing to work with EPA to implement final work plans and to respond to EPA's comments on other issues. We have accrued costs to perform certain work responsive to EPA's comments.

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. We generally use the amount within the range that constitutes our best 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 risk-free interest rates ranging from 3.5% to 4.2%.

For environmental liabilities that have been discounted, we include interest accretion, based on the effective interest method, in cost of revenues on the Consolidated Statements of Income. The changes to the amounts of our environmental liabilities for the twenty-six weeks ended February 27, 2010 are as

follows (in thousands):

	February 27, 2010
Beginning balance as of August 29, 2009	\$ 19,384
Costs incurred for which reserves have been provided	(1,299)
Insurance proceeds received	127
Interest accretion	397
Change in estimate of liability	(167)
Balance as of February 27, 2010	<u>\$ 18,442</u>

Anticipated payments and insurance proceeds relating to currently identified environmental remediation liabilities as of February 27, 2010, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below (in thousands).

Fiscal year ended August	2010	2011	2012	2013	2014	Thereafter	Total
Estimated costs – current dollars	\$ 3,716	2,616	2,027	963	920	13,636	\$ 23,878
Estimated insurance proceeds	(203)	(157)	(180)	(150)	(180)	(2,175)	(3,045)
Net anticipated costs	\$ 3,513	2,459	1,847	813	740	11,461	\$ 20,833
Effect of Inflation							7,976
Effect of Discounting							<u>(10,367)</u>
Balance as of February 27, 2010							<u>\$ 18,442</u>

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 three 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 February 27, 2010, the balance in this escrow account, which is held in a trust and is not recorded on our Consolidated Balance Sheet, was approximately \$2.7 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 (“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 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 litigation related to charges for certain ancillary services on invoices, 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 we have accrued or covered by insurance, will not have a material adverse effect on our consolidated financial position or results of operations. It is possible, however, that 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.

Seasonality

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.

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 results of operations and financial condition.

Contractual Obligations and Other Commercial Commitments

As of February 27, 2010, there were no material changes in our contractual obligations that were disclosed in our Annual Report on Form 10-K for the year

ended August 29, 2009.

Recent Accounting Pronouncements

In June 2008, the FASB issued revised guidance which clarifies whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in computing earnings per share (EPS). We adopted the revised guidance on August 30, 2009, and the adoption did not have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB approved its Accounting Standards Codification (the "Codification"), as the single source of authoritative United States accounting and reporting standards applicable for all non-governmental entities, with the exception of the SEC and its staff. The Codification, which changes the referencing of financial standards, is effective for interim or annual financial periods ending after September 15, 2009. Therefore, starting in our first quarter of fiscal 2010, any references made to US GAAP use the new Codification numbering system prescribed by the FASB. The Codification was not intended to change or alter existing US GAAP, and as a result, it did not have any impact on the Company's Consolidated Financial Statements.

In January 2010, the FASB issued revised guidance which requires additional disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy, requires additional separate disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, and clarifies, among other things, the existing fair value disclosures about the level of disaggregation. This pronouncement is effective for interim and annual financial periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements relative to Level 3 measurements, which are effective for interim and annual financial periods beginning after December 15, 2010. We expect the adoption of this guidance will not have a material impact on our Consolidated Financial Statements.

ITEM 3. 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 effect 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 9% of total consolidated revenues for both the thirteen and twenty-six weeks ended February 27, 2010, and total assets denominated in currencies other than the U.S. dollar represented approximately 10% of total consolidated assets at February 27, 2010 and August 29, 2009. If exchange rates had increased or decreased by 10% from the actual rates in effect during the thirteen and twenty-six weeks ended and as of February 27, 2010, our revenues would have increased or decreased by approximately \$2.2 million and \$4.5 million, respectively, and assets as of February 27, 2010 would have increased or decreased by approximately \$10.6 million.

We do not operate a hedging program to mitigate the effect of a significant change in the value of our foreign subsidiaries functional currencies, which include the Canadian Dollar, Euro, British Pound, and Mexican Peso, as compared to the U.S. dollar. Any gains or losses resulting from foreign currency transactions, including exchange rate fluctuations on intercompany accounts are reported as transaction (gains) losses in our other expense (income). The intercompany payables and receivables are denominated in Canadian Dollars, Euros, British Pounds and Mexican Pesos. During the thirteen and twenty-six weeks ended February 27, 2010, transaction losses included in other expense (income) were approximately \$0.8 million and \$0.6 million, respectively. If the exchange rates had increased or decreased by 10% during the thirteen and twenty-six weeks ended February 27, 2010, we would have recognized exchange gains or losses, of approximately \$0.9 million.

Interest Rate Sensitivity

We are exposed to market risk from changes in interest rates which may adversely affect our financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, we manage these exposures through our regular operating and financing activities. We are exposed to interest rate risk primarily through our borrowings under our \$225.0 million Credit Agreement with a syndicate of banks and our 2006 Floating Rate Notes which were purchased by a group of insurance companies pursuant to the 2006 Note Agreement. Under both agreements, we borrow funds at variable interest rates based on the Eurodollar rate or LIBOR rates. If the LIBOR and Eurodollar rates fluctuated by 10% from the actual rates in effect during the thirteen and twenty-six weeks ended February 27, 2010, our interest expense would have fluctuated by a nominal amount from the interest expense recognized for the thirteen and twenty-six weeks ended February 27, 2010.

In January 2008, we entered into an interest rate swap agreement to manage our exposure to interest rate movements and the related effect on our variable rate debt. The swap agreement, with a notional amount of \$100.0 million, matures on March 14, 2011. We pay a fixed rate of 3.51% and receive a variable rate tied to the three month LIBOR rate. We have accounted for this instrument as a cash flow hedge under US GAAP and, as a result, have recorded all changes in the fair value of the swap agreement in accumulated other comprehensive income, a component of shareholders' equity. Refer to Note 5, "Derivative Instruments and Hedging Activities" of our Consolidated Financial Statements for additional information regarding our interest rate swap.

ITEM 4. 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 material information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In

designing and evaluating the 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 second quarter of fiscal year 2010 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. 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 and employment claims as described in our Consolidated Financial Statements. We maintain insurance coverage providing indemnification against the majority of such claims, and we do not expect that we will sustain any material loss as a result thereof. Refer to Note 9, “Commitments and Contingencies,” to the Consolidated Financial Statements for further discussion.

ITEM 1A. RISK FACTORS

To our knowledge, there have been no material changes in the risk factors described in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended August 29, 2009. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended August 29, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

On April 5, 2010, the Company entered into an Employment Agreement (the “Employment Agreement”) with Ronald D. Croatti, the Company’s Chairman, Chief Executive Officer and President. The Employment Agreement provides for the employment of Mr. Croatti for a term of six years, subject to earlier termination as set forth in the Employment Agreement.

Pursuant to the Employment Agreement, Mr. Croatti’s base salary is his base salary currently in effect and will be reviewed on an annual basis consistent with the Company’s usual practices for senior executives. In addition, Mr. Croatti is entitled to participate in the Company’s executive cash bonus plan in the same manner as other senior executives of the Company and to receive a grant of 350,000 shares of restricted common stock pursuant to a Performance Criteria Restricted Stock Award Agreement (as set forth below). In the event that the Company terminates Mr. Croatti’s employment without cause during the term of the Employment Agreement, Mr. Croatti will be entitled to receive one-half of his annual base salary then in effect. Mr. Croatti has agreed under the Employment Agreement not to compete with the Company or to solicit the Company’s employees or customers for a period of 24 months following his termination.

On April 5, 2010, the Company entered into a Restricted Stock Award Agreement (the “Performance Criteria Restricted Stock Award Agreement”) with Mr. Croatti pursuant to which the Company granted 350,000 shares (the “Performance Restricted Shares”) of restricted common stock to Mr. Croatti. The Performance Restricted Shares will be earned if the Company achieves certain consolidated revenues and adjusted operating margins as set forth in the Performance Criteria Restricted Stock Award Agreement during certain performance periods set forth in such agreement (collectively, the “Performance Criteria”). The Performance Restricted Shares earned upon achievement of the Performance Criteria will vest in four equal amounts on the third, fourth, fifth and sixth anniversaries of the grant date provided that Mr. Croatti continues to be employed by the Company on each such date. Mr. Croatti may transfer all or a portion of the Performance Restricted Shares to any holder of Class B Common Stock of the Company in exchange for an identical number of shares of Class B Common Stock (the “Transferred Class B Shares”). Upon any such transfer, the restrictions and conditions to which the Performance Restricted Shares are subject under the Performance Criteria Restricted Stock Award Agreement will lapse and such restrictions and conditions will attach to the Transferred Class B Shares. In the event that Mr. Croatti’s employment is terminated without cause or by reason of death or disability prior to the vesting of the Performance Restricted Shares, all of the Performance Restricted Shares that have been or will be earned upon achievement of the Performance Criteria through the end of the fiscal year during which such termination occurred will become fully vested.

On April 5, 2010, the Company entered into a Restricted Stock Award Agreement (the “Restricted Stock Award Agreement”) with Mr. Croatti pursuant to which the Company granted 50,000 shares (the “Restricted Shares”) of restricted common stock to Mr. Croatti. The Restricted Shares will vest in equal amounts on each of the first six anniversaries of the grant date provided that Mr. Croatti continues to be employed by the Company on each such date. Mr. Croatti may transfer all or a portion of the Restricted Shares to any holder of Class B Common Stock of the Company in exchange for an identical number of shares of Class B Common Stock (the “Transferred Class B Stock”). Upon any such transfer, the restrictions and conditions to which the Restricted Shares are subject under the Restricted Stock Award Agreement will lapse and such restrictions and conditions will attach to the Transferred Class B Stock. In the

event that Mr. Croatti's employment is terminated without cause or by reason of death or disability prior to the vesting of the Restricted Shares, all of the Restricted Shares will immediately and automatically vest in full.

The foregoing summary is qualified in its entirety by reference to the Employment Agreement, the Performance Criteria Restricted Stock Award Agreement and the Restricted Stock Award Agreement, copies of which are filed as Exhibits 10.1, 10.2 and 10.3, respectively, to this Quarterly Report on Form 10-Q.

Assuming the performance criteria are met, over the six year term of the employment agreement, the stock compensation expense related to the 50,000 and the 350,000 share grants will total approximately \$20.6 million. The after-tax effect, assuming the Company's current tax rates, is approximately \$12.5 million. The stock compensation will be recognized as follows (in thousands):

2010	\$ 1,893
2011	4,700
2012	4,700
2013	4,097
2014	2,748
Thereafter	2,418
	<u>\$ 20,556</u>

Results of Annual Meeting of Shareholders

On January 12, 2010, we held our annual meeting of shareholders. A detailed description of the matters voted upon at the annual meeting is contained in our proxy statement which was filed with the Securities and Exchange Commission on December 8, 2009. At the annual meeting, the following actions were voted upon and approved by our shareholders:

- The following Class III Directors were elected to serve until the 2013 annual meeting and until their successors are duly elected and qualified:

Class I Director	Common Stock		Class B Common Stock	
	For	Withheld	For	Withheld
Cynthia Croatti	10,645,997	445,743	48,733,690	—
Phillip L. Cohen	10,785,538	306,202	—	—
Michael Iandoli	10,066,509	1,025,231	48,733,690	—

It is expected that Ronald D. Croatti, Donald J. Evans and Thomas S. Postek will continue to serve as Class II Directors until their terms expire in 2011 and until their successors are duly elected and qualified. It is expected that Anthony F. DiFillippo and Robert F. Collings will continue to serve as Class I Directors until their terms expire in 2012 and until their successors are duly elected and qualified.

- Our shareholders voted to approve an amendment to the Company's 1996 Stock Incentive Plan, as amended, (the "Plan"), which authorizes the issuance of an additional 700,000 shares of Common Stock under the Plan. The results of the vote were as follows:

Common Stock			Class B Common Stock		
For	Against	Abstained	For	Against	Abstained
3,942,517	6,842,074	307,149	48,733,690	—	—

- Our shareholders voted to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending August 28, 2010. The results of the vote were as follows:

Common Stock			Class B Common Stock		
For	Against	Abstained	For	Against	Abstained
11,560,932	42,805	5,959	48,733,690	—	—

ITEM 6. EXHIBITS

- * 10.1 Employment Agreement, dated as of April 5, 2010, by and between UniFirst Corporation and Ronald D. Croatti
- * 10.2 Restricted Stock Award Agreement, dated April 5, 2010, by and between UniFirst Corporation and Ronald D. Croatti
- * 10.3 Restricted Stock Award Agreement, dated April 5, 2010, by and between UniFirst Corporation and Ronald D. Croatti
- * 10.4 Fifth Amendment to UniFirst Corporation 1996 Amended Stock Incentive Plan
- * 31.1 Rule 13a-14(a)/15d-14(a) Certification of Ronald D. Croatti
- * 31.2 Rule 13a-14(a)/15d-14(a) Certification of Steven S. Sintros
- ** 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
- ** 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

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UniFirst Corporation

April 8, 2010

By: /s/ Ronald D. Croatti
Ronald D. Croatti
President and Chief Executive Officer

April 8, 2010

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

EXHIBIT INDEX

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- * 10.3 Restricted Stock Award Agreement, dated April 5, 2010, by and between UniFirst Corporation and Ronald D. Croatti
- * 10.4 Fifth Amendment to UniFirst Corporation 1996 Amended Stock Incentive Plan
- * 31.1 Rule 13a-14(a)/15d-14(a) Certification of Ronald D. Croatti
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- * Filed herewith

- ** Furnished herewith

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of the 5th day of April, 2010, between UniFirst Corporation, a Massachusetts corporation (the "Company"), and Ronald D. Croatti (the "Executive").

WHEREAS, the Company desires to ensure the continued service of the Executive as the Company's Chief Executive Officer and President for at least the next six years; and

WHEREAS, the Company desires to establish a long-term performance-based compensation structure for the Executive pursuant to which a high percentage of his annual target compensation will be in the form of restricted stock.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Term, Position and Duties. The term of this Agreement shall commence on the date hereof and end on the sixth anniversary of the date hereof unless terminated prior to such date in accordance with the terms of this Agreement. The Executive shall serve as the Chief Executive Officer and President of the Company and Chairman of its Board of Directors (the "Board"), and shall have supervision and control over and responsibility for the day-to-day business and affairs of the Company and shall have such other additional powers and duties as may from time to time be prescribed by the Board. The Executive shall devote his full working time and efforts to the business and affairs of the Company.

2. Compensation and Related Matters.

(a) Base Salary. The Executive's initial annual base salary under this Agreement shall be his base salary currently in effect. The Executive's base salary shall be reviewed annually in a manner that is consistent with the Company's usual practices for senior executives.

(b) Incentive Cash Compensation. The Executive shall be entitled to participate in the Company's executive cash bonus plan in the same manner as other senior executives at the Company.

(c) Restricted Stock Award. The Company, on the date hereof, hereby grants to the Executive a restricted stock award pursuant to a Restricted Stock Award Agreement substantially in the form attached hereto as Exhibit A.

(d) Other Benefits. The Executive shall be entitled to continue to participate in or receive benefits and perquisites consistent with those participated in or received by other senior executives at the Company.

3. Termination. The Executive's employment hereunder may be terminated without any breach of this Agreement under the following circumstances:

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. The Company may terminate the Executive's employment if he is disabled and unable to perform the essential functions of the Executive's then existing position or positions under this Agreement, with or without reasonable accommodation, for a period of 270 days (which need not be consecutive) in any 12-month period. If any question shall arise as to whether during any period the Executive is disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions with or without reasonable accommodation, the Executive may, and at the request of the Company shall, submit to the Company a certification in reasonable detail by a physician selected by the Executive to whom the Company has no reasonable objection as to whether the Executive is so disabled or how long such disability is expected to continue, and such certification shall for the purposes of this Agreement be conclusive of the issue. Nothing in this Section 3(b) shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 *et seq.* and the Americans with Disabilities Act, 42 U.S.C. §12101 *et seq.*

(c) Termination by Company for Cause. The Company may terminate the Executive's employment hereunder for Cause by a vote of the Board at a meeting of the Board called and held for such purpose at which the Executive is present and given an opportunity to be heard. For purposes of this Agreement, "Cause" shall mean: (i) the commission by the Executive of any felony or a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, or any conduct by the Executive that would reasonably be expected to result in material injury or significant reputational harm to the Company if he were retained in his position; (ii) continued non-performance by the Executive of a material portion of his duties hereunder (other than by reason of the Executive's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Board; (iii) a breach by the Executive of any of the provisions contained in Section 6 of this Agreement; or (iv) failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation.

(d) Termination Without Cause. The Company may terminate the Executive's employment hereunder at any time without Cause. Any termination by the Company of the Executive's employment under this Agreement which does not constitute a termination for Cause under Section 3(c)

and does not result from the death or disability of the Executive under Section 3(a) or (b) shall be deemed a termination without Cause.

4. Compensation Upon Termination.

(a) Termination Generally. If the Executive's employment with the Company is terminated for any reason, the Company shall pay or provide to the Executive (or to his authorized representative or estate) any earned but unpaid base salary, incentive compensation earned but not yet paid, unpaid expense reimbursements, accrued but unused vacation and any vested benefits the Executive may have under any employee benefit plan of the Company (the "Accrued Benefit") on or before the Executive's date of termination, or in the case of termination pursuant to Section 4(b), the date that is 30 days after the date on which a written notice of termination is communicated by the Company to the Executive (the "Date of Termination").

(b) Termination by the Company Without Cause. If the Executive's employment is terminated by the Company without Cause as provided in Section 3(d), then the Company shall, through the Date of Termination, pay the Executive his Accrued Benefit. In addition, subject to the Executive signing a general release of claims in favor of the Company and related persons and entities in a form and manner satisfactory to the Company (the "Release") within the 21-day period following the Date of Termination and the expiration of the seven-day revocation period for the Release, the Company shall pay the Executive an amount equal to one-half (1/2) times the Executive's Base Salary then in effect (the "Severance Amount"). The Severance Amount shall be paid out in substantially equal installments in accordance with the Company's payroll practice over 6 months, beginning on the first payroll date that occurs 30 days after the Date of Termination. Solely for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), each installment payment is considered a separate payment. Notwithstanding the foregoing, if the Executive breaches any of the provisions contained in Section 6 of this Agreement, all payments of the Severance Amount shall immediately cease.

5. Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive's separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive's separation from service, or (B) the Executive's death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule.

(b) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by the Executive during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon the Executive's termination of employment, then such payments or benefits shall be payable only upon the Executive's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d) The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(e) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

6. Confidential Information, Noncompetition and Cooperation.

(a) Confidential Information. As used in this Agreement, "Confidential Information" means trade secrets and other confidential information belonging to the Company which is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Notwithstanding the foregoing, Confidential Information does not include information in the public domain, unless due to breach of the Executive's duties under Section 6(b).

(b) Confidentiality. The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Company with respect to all Confidential Information. At all times, both during the Executive's employment with the Company and after its termination, the Executive will keep in confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Company, except as may be necessary or convenient in the ordinary course of performing the Executive's duties to the Company.

(c) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not

pertaining to Confidential Information, which are furnished to the Executive by the Company or are produced by the Executive in connection with the Executive's employment will be and remain the sole property of the Company. The Executive will return to the Company all such materials and property as and when requested by the Company. In any event, the Executive will return all such materials and property immediately upon termination of the Executive's employment for any reason. The Executive will not retain with the Executive any such material or property or any copies thereof after such termination.

(d) Noncompetition and Nonsolicitation. During the Executive's employment with the Company and for 24 months thereafter, regardless of the reason for the termination, the Executive (i) will not, directly or indirectly, whether as owner, partner, shareholder, consultant, agent, employee, co-venturer or otherwise, engage, participate, assist or invest in any Competing Business (as hereinafter defined); (ii) will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave employment with the Company (other than terminations of employment of subordinate employees undertaken in the course of the Executive's employment with the Company); and (iii) will refrain from soliciting or encouraging any customer or supplier to terminate or otherwise modify adversely its business relationship with the Company. The Executive understands that the restrictions set forth in this Section 6(d) are intended to protect the Company's interest in its Confidential Information and established employee, customer and supplier relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose. For purposes of this Agreement, the term "Competing Business" shall mean a business which is competitive with any business which the Company or any of its subsidiaries is conducting on the Date of Termination. Notwithstanding the foregoing, the Executive may own up to one percent (1%) of the outstanding stock of a publicly held corporation which constitutes or is affiliated with a Competing Business; provided, however, that in no event will the Executive directly acquire following the Date of Termination any shares of the outstanding common stock of Cintas Corporation or G&K Services, Inc.

7. Integration. This Agreement, together with that certain Restricted Stock Award Agreement between the parties, dated of the date hereof, constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements between the parties concerning such subject matter.

8. Withholding. All payments made by the Company to the Executive under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

9. Survival. The provisions of this Agreement shall survive the termination of this Agreement and/or the termination of the Executive's employment to the extent necessary to effectuate the terms contained herein.

10. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party.

11. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the last address the Executive has filed in writing with the Company or, in the case of the Company, at its main offices, attention of the Board.

12. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Company.

13. Governing Law. This is a Massachusetts contract and shall be construed under and be governed in all respects by the laws of the Commonwealth of Massachusetts, without giving effect to the conflict of laws principles of such Commonwealth.

14. Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a material breach of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date and year first above written.

UNIFIRST CORPORATION

By: /s/ Donald J. Evans
Donald J. Evans
Title: Lead Director

/s/ Ronald D. Croatti
Ronald D. Croatti

Exhibit A

[Restricted Stock Award Agreement] *

* Filed as exhibit 10.2 to the Company's quarterly report filed on Form 10-Q on April 8, 2010.

**RESTRICTED STOCK AWARD AGREEMENT
UNDER THE UNIFIRST CORPORATION AMENDED 1996 STOCK INCENTIVE PLAN**

Name of Grantee: Ronald D. Croatti

No. of Shares: 350,000

Grant Date: April 5, 2010

Pursuant to the UniFirst Corporation Amended 1996 Stock Incentive Plan, as amended (the "Plan"), UniFirst Corporation (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above with respect to the number of shares of Common Stock, par value \$0.10 per share, of the Company (the "Stock") set forth above (the "Shares"). Upon acceptance of this Award, the Grantee shall receive the number of Shares of Stock specified above, subject to the restrictions and conditions set forth herein. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Compensation Committee of the Board of Directors of the Company (the "Administrator").

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he shall have accepted this Award by (i) signing and delivering to the Company a copy of this Award Agreement, and (ii) delivering to the Company a stock power endorsed in blank. Upon acceptance of this Award by the Grantee, the Shares of Restricted Stock so accepted shall be issued and represented by a stock certificate, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such Shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Sections 2 and 3 below.

2. Earning of Restricted Stock.

(a) The number of Shares of Restricted Stock to be earned by the Grantee will vary depending upon the Company's achievement of the Performance Criteria, as set forth below in this Section 2. The number of Shares of Restricted Stock determined pursuant to this Section 2 shall be deemed earned by the Grantee.

(b) The Performance Criteria for the determination of the number of Shares earned hereunder will be based on the Company's consolidated revenue ("Revenue") and operating margin adjusted as set forth in this Section 2(b) ("Operating Margin") for the following periods: the last 6 months of the Company's 2010 fiscal year ("Fiscal 2010"); the Company's 2011 fiscal year ("Fiscal 2011"); the Company's 2012 fiscal year ("Fiscal 2012"); on a partial cumulative basis for the period including Fiscal 2010 and Fiscal 2011; and on an a total cumulative basis for the period including Fiscal 2010, Fiscal 2011 and Fiscal 2012. Such Performance Criteria are as follows:

(i) Fiscal 2010: Revenue – \$985 million less the amount of Revenues from the first six months of the Company's 2010 fiscal year; Operating Margin – The percentage amount which, when averaged with the actual Operating Margin from the first six months of the Company's 2010 fiscal year, is 11%.

(ii) Fiscal 2011: Revenue – \$1,004.7 million; Operating Margin – 10%

(iii) Fiscal 2012: Revenue – \$1,024.8 million; Operating Margin – 10.5%

(iv) Fiscal 2010 and Fiscal 2011 on a partial cumulative basis (the "Partial Cumulative Criteria"): Revenue – the sum of the Revenue Performance Criteria under clauses (i) and (ii) above; Operating Margin – the weighted average (based on the length of the respective performance periods) of the Operating Margin Performance Criteria under clauses (i) and (ii) above.

(v) Fiscal 2010, Fiscal 2011 and Fiscal 2012, on a total cumulative basis (the "Total Cumulative Criteria"): Revenue – the sum of the Revenue Performance Criteria under clauses (i), (ii) and (iii) above; Operating Margin – the weighted average (based on the length of the respective performance periods) of the Operating Margin Performance Criteria under clauses (i), (ii) and (iii) above.

The Administrator shall certify at its first meeting after the first public release by the Company of its audited financial statements for each of Fiscal 2010, Fiscal 2011 and Fiscal 2012, respectively, whether the Performance Criteria have been met with respect to such fiscal year, or in the case of Fiscal 2011, whether the Performance Criteria based on the Partial Cumulative Criteria have been met, or in the case of Fiscal 2012, whether the Performance Criteria based on the Total Cumulative Criteria have been met.

All determinations regarding satisfaction of the Performance Criteria will be based on the Company's audited financial statements and its books and records for the applicable fiscal years; provided that the Company's operating margins shall be adjusted to reflect the following exclusions: changes in Generally Accepted Accounting Principles; any losses, costs and expenses associated with or arising from any claims, litigation, regulatory investigations, or environmental investigations and remediation which in the aggregate in any fiscal year are in excess of \$1,000,000; any losses, costs and expenses associated with or arising from any impairment of tangible or intangible assets; any losses, costs and expenses associated with or arising from any natural catastrophes, war, terrorism, business interruption or similar events; any costs and expenses in any fiscal year for gasoline, natural gas and other energy and utility costs which in the aggregate in any fiscal year are in excess of 5.7% of the Company's revenues for such fiscal year; and any equity compensation expense

associated with or arising from any Restricted Stock issued to the Grantee (whether granted hereby or otherwise).

(c) Upon achievement, as determined by the Administrator, of each fiscal year Performance Criteria set forth above in clauses (i), (ii) and (iii), the Grantee shall earn one-third (1/3) of the total number of the Shares. Upon achievement, as determined by the Administrator, of the Partial Cumulative Criteria, the Grantee shall earn two-thirds (2/3) of the total number of the Shares (less any Shares earned upon achievement of the Fiscal 2010 Performance Criteria). Upon achievement, as determined by the Administrator, of the Total Cumulative Criteria, the Grantee shall earn all of the Shares. If the Grantee's employment with the Company and its Subsidiaries is terminated without Cause or by reason of death or Disability in Fiscal 2010, Fiscal 2011 or Fiscal 2012, the Grantee shall be eligible to earn the full number of Shares that could be earned on account of that fiscal year containing the date of such termination, based on the achievement of the applicable Performance Criteria during that fiscal year. In addition, if the Grantee's employment with the Company and its Subsidiaries is terminated without Cause or by reason of death or Disability and the date of such termination is during (i) Fiscal 2011, the Grantee shall be eligible to earn the full number of Shares that could be earned upon achievement of the Partial Cumulative Criteria if the Partial Cumulative Criteria is achieved, or (ii) Fiscal 2012, the Grantee shall be eligible to earn the full number of Shares that could be earned upon the achievement of the Total Cumulative Criteria if the Total Cumulative Criteria is achieved.

(d) Any Shares not earned by the Grantee on account of the achievement of the Performance Criteria shall automatically be forfeited to the Company.

3. Restrictions and Conditions.

(a) Any stock certificate for the Shares of Restricted Stock granted hereby shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such Shares are subject to restrictions as set forth herein.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting, except as set forth in Sections 3(c), (d) and (e) below.

(c) The Grantee may at any time from and after the Grant Date transfer (each, a "Transfer") all or a portion of such Shares of Restricted Stock (the "Transferred Restricted Shares") to any holder of shares of Class B Common Stock of the Company in exchange for an identical number of shares of Class B Common Stock of the Company (the "Transferred Class B Shares"). From and after the date of any Transfer, (i) all restrictions and conditions on the Transferred Restricted Shares set forth herein and in the Plan shall immediately and automatically lapse such that the Transferred Restricted Shares shall no longer be Restricted Stock and (ii) such restrictions shall immediately and automatically attach to the Transferred Class B Shares to the same extent as such restrictions attached to the Transferred Restricted Shares immediately prior to their Transfer.

(d) In addition, the Grantee may at any time from and after a Transfer, transfer all or any portion of the Transferred Class B Shares to any party in exchange for an identical number of shares of Common Stock ("Common Shares") of the Company (each, a "Subsequent Transfer"). From and after the date of any Subsequent Transfer, (i) all restrictions and conditions that attached to the Transferred Class B Shares shall immediately and automatically lapse such that the Transferred Class B Shares shall no longer be Restricted Stock and (ii) such restrictions shall immediately and automatically attach to the Common Shares to the same extent as such restrictions attached to the Transferred Class B Shares immediately prior to their Subsequent Transfer.

(e) There shall be no limitations or restrictions on (i) the aggregate number of Transfers or Subsequent Transfers or (ii) the number of times that the same shares may be Transferred or Subsequently Transferred, pursuant to Sections 3(c) and (d) above.

4. Vesting of Restricted Stock.

(a) To the extent the Shares of Restricted Stock are earned pursuant to and in accordance with Section 2, the restrictions and conditions in Section 3 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee remains an employee of the Company or a Subsidiary on such Dates. The restrictions and conditions in Section 3 shall lapse only with respect to the number of Shares of Restricted Stock specified as vested on such date.

<u>Number of Shares Vested</u>	<u>Vesting Date</u>
25% of Shares Earned	April 5, 2013
25% of Shares Earned	April 5, 2014
25% of Shares Earned	April 5, 2015
25% of Shares Earned	April 5, 2016

Subsequent to such Vesting Date or Dates, the Shares on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Section 4.

(b) If the Grantee's employment with the Company and its Subsidiaries is terminated without Cause or by reason of death or Disability prior to the vesting of Shares of Restricted Stock granted herein, all Shares of Restricted Stock that have been earned (or could be earned pursuant to Section 2(c) with respect to the fiscal year containing the effective date of such termination) pursuant to Section 2 shall immediately and automatically vest in full and no longer be deemed Restricted Stock.

5. Dividends. Dividends on Shares of Restricted Stock shall be paid currently to the Grantee.

6. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan; provided that in the event of any inconsistencies between the provisions of this Award and the provisions of the Plan, the provisions of this Award shall control. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein; provided, that the capitalized terms set forth in Sections 2(c) and 4(b) hereof which are not otherwise defined herein shall have the respective meanings set forth in the Employment Agreement referred to in Section 9 hereof.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for U.S. federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any U.S. federal, state, and local taxes required by law to be withheld on account of such taxable event. The Grantee may elect to have the required minimum tax withholding satisfied, in whole or in part, by authorizing the Company to withhold from the Shares a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may not file with the Internal Revenue Service an election under Section 83(b) of the Internal Revenue Code.

9. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Grantee at any time, subject to the terms of that certain Employment Agreement, dated as of April 5, 2010, as amended from time to time, between the Company and the Grantee.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

UNIFIRST CORPORATION

By: /s/ Donald J. Evans
Name: Donald J. Evans
Title: Lead Director

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: April 5, 2010

/s/ Ronald D. Croatti
Grantee's Signature

Grantee's name and address:

Ronald D. Croatti
c/o UniFirst Corporation
68 Jonspin Road
Wilmington, MA 01887

**RESTRICTED STOCK AWARD AGREEMENT
UNDER THE UNIFIRST CORPORATION AMENDED 1996 STOCK INCENTIVE PLAN**

Name of Grantee: Ronald D. Croatti

No. of Shares: 50,000

Grant Date: April 5, 2010

Pursuant to the UniFirst Corporation Amended 1996 Stock Incentive Plan, as amended (the "Plan"), UniFirst Corporation (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above with respect to the number of shares of Common Stock, par value \$0.10 per share, of the Company (the "Stock") set forth above (the "Shares"). Upon acceptance of this Award, the Grantee shall receive the number of Shares of Stock specified above, subject to the restrictions and conditions set forth herein. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Compensation Committee of the Board of Directors of the Company (the "Administrator").

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award by (i) signing and delivering to the Company a copy of this Award Agreement, and (ii) delivering to the Company a stock power endorsed in blank. Upon acceptance of this Award by the Grantee, the Shares of Restricted Stock so accepted shall be issued and represented by a stock certificate, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such Shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Section 2 below.

2. Restrictions and Conditions.

(a) Any stock certificate for the Shares of Restricted Stock granted hereby shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such Shares are subject to restrictions as set forth herein.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting, except as set forth in Sections 2(c), (d) and (e) below.

(c) The Grantee may at any time from and after the Grant Date transfer (each, a "Transfer") all or a portion of such Shares of Restricted Stock (the "Transferred Restricted Shares") to any holder of shares of Class B Common Stock of the Company in exchange for an identical number of shares of Class B Common Stock of the Company (the "Transferred Class B Shares"). From and after the date of any Transfer, (i) all restrictions and conditions on the Transferred Restricted Shares set forth herein and in the Plan shall immediately and automatically lapse such that the Transferred Restricted Shares shall no longer be Restricted Stock and (ii) such restrictions shall immediately and automatically attach to the Transferred Class B Shares to the same extent as such restrictions attached to the Transferred Restricted Shares immediately prior to their Transfer.

(d) In addition, the Grantee may at any time from and after a Transfer, transfer all or any portion of the Transferred Class B Shares to any party in exchange for an identical number of shares of Common Stock ("Common Shares") of the Company (each, a "Subsequent Transfer"). From and after the date of any Subsequent Transfer, (i) all restrictions and conditions that attached to the Transferred Class B Shares shall immediately and automatically lapse such that the Transferred Class B Shares shall no longer be Restricted Stock and (ii) such restrictions shall immediately and automatically attach to the Common Shares to the same extent as such restrictions attached to the Transferred Class B Shares immediately prior to their Subsequent Transfer.

(e) There shall be no limitations or restrictions on (i) the aggregate number of Transfers or Subsequent Transfers or (ii) the number of times that the same shares may be Transferred or Subsequently Transferred, pursuant to Sections 2(c) and (d) above.

3. Vesting of Restricted Stock.

(a) The restrictions and conditions in Section 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee remains an employee of the Company or a Subsidiary on such Dates. The restrictions and conditions in Section 2 shall lapse only with respect to the number of Shares of Restricted Stock specified as vested on such date.

<u>Number of Shares Vested</u>	<u>Vesting Date</u>
8,333	April 5, 2011
8,333	April 5, 2012
8,333	April 5, 2013
8,333	April 5, 2014
8,333	April 5, 2015
8,335	April 5, 2016

Subsequent to such Vesting Date or Dates, the Shares on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Section 3.

(b) If the Grantee's employment with the Company and its Subsidiaries is terminated without Cause or by reason of death or Disability prior to vesting of Shares of Restricted Stock granted herein, all Shares of Restricted Stock shall immediately and automatically vest in full and no longer be deemed Restricted Stock.

4. Dividends. Dividends on Shares of Restricted Stock shall be paid currently to the Grantee.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan; provided that in the event of any inconsistencies between the provisions of this Award and the provisions of the Plan, the provisions of this Award shall control. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein; provided, that the capitalized terms set forth in Section 3(b) hereof which are not otherwise defined herein shall have the respective meanings set forth in the Employment Agreement referred to in Section 8 hereof.

6. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for U.S. federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any U.S. federal, state, and local taxes required by law to be withheld on account of such taxable event. The Grantee may elect to have the required minimum tax withholding satisfied, in whole or in part, by authorizing the Company to withhold from the Shares a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

7. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may not file with the Internal Revenue Service an election under Section 83(b) of the Internal Revenue Code.

8. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Grantee at any time, subject to the terms of that certain Employment Agreement, dated as of April 5, 2010, as amended from time to time, between the Company and the Grantee.

9. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

UNIFIRST CORPORATION

By: /s/ Donald J. Evans
Name: Donald J. Evans
Title: Lead Director

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: April 5, 2010

/s/ Ronald D. Croatti
Grantee's Signature

Grantee's name and address:

Ronald D. Croatti

c/o UniFirst Corporation

68 Jonspin Road

Wilmington, MA 01887

**FIFTH AMENDMENT TO THE
UNIFIRST CORPORATION
AMENDED 1996 STOCK INCENTIVE PLAN**

In accordance with the provisions of the UniFirst Corporation 1996 Amended Stock Incentive Plan, as amended (the "Plan"), the Plan is hereby amended as follows:

1. Section 14(d)(ii) is hereby amended and restated as follows:

"the consummation of (A) any consolidation or merger of the Company or any Subsidiary where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 50% of the voting stock of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) any plan or proposal for the liquidation or dissolution of the Company."

2. Except as modified herein, the Plan is not modified in any respect and remains in full force and effect.

Approved by the Board of Directors: January 12, 2010

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES
EXCHANGE ACT, AS AMENDED**

I, Ronald D. Croatti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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: April 8, 2010

By: /s/ Ronald D. Croatti
Ronald D. Croatti,
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES
EXCHANGE ACT, AS AMENDED**

I, Steven S. Sintros, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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: April 8, 2010

By: /s/ Steven S. Sintros
Steven S. Sintros
Chief Financial Officer
(Principal Financial Officer)

**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, Ronald D. Croatti, President and Chief Executive Officer of UniFirst Corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

- (1) The Company's Quarterly Report on Form 10-Q for the quarter ended February 27, 2010 (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: April 8, 2010

By: /s/ Ronald D. Croatti
Ronald D. Croatti, President and
Chief Executive Officer
(Principal Executive Officer)

**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, Steven S. Sintros, Chief Financial Officer of UniFirst Corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

- (1) The Company's Quarterly Report on Form 10-Q for the quarter ended February 27, 2010 (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: April 8, 2010

By: /s/ Steven S. Sintros
Steven S. Sintros
Chief Financial Officer
(Principal Financial Officer)