

MIDDLEBY CORP  
Form 10-K  
March 02, 2016

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

FORM 10-K

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

For the Fiscal Year Ended January 2, 2016

or

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

Commission File No. 1-9973

THE MIDDLEBY CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or  
organization)

1400 Toastmaster Drive, Elgin, Illinois  
(Address of principal executive offices)

36-3352497

(IRS Employer Identification Number)

60120

(Zip Code)

Registrant's telephone number, including area code: 847-741-3300

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

Title of each class

Name of each exchange on which registered

Common stock, par value \$0.01 per share

The NASDAQ Stock Market LLC

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

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

Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No ý

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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.

Edgar Filing: MIDDLEBY CORP - Form 10-K

Yes  No

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

Yes  No

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

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 definition of "accelerated filer, large 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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of June 30, 2015 was approximately \$6,303,148,519.

The number of shares outstanding of the Registrant's class of common stock, as of February 29, 2016, was 57,306,082 shares.

#### Documents Incorporated by Reference

Part III of Form 10-K incorporates by reference the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the 2016 annual meeting of stockholders.

---

THE MIDDLEBY CORPORATION AND SUBSIDIARIES  
 JANUARY 2, 2016  
 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	<u>1</u>
Item 1A. Risk Factors	<u>10</u>
Item 1B. Unresolved Staff Comments	<u>18</u>
Item 2. Properties	<u>19</u>
Item 3. Legal Proceedings	<u>20</u>
Item 4. Mine Safety Issues	<u>20</u>
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>21</u>
Item 6. Selected Financial Data	<u>23</u>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>24</u>
Item 7A. Quantitative and Qualitative Disclosure about Market Risk	<u>38</u>
Item 8. Financial Statements and Supplementary Data	<u>41</u>
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>96</u>
Item 9A. Controls and Procedures	<u>96</u>
Item 9B. Other Information	<u>98</u>
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	<u>99</u>
Item 11. Executive Compensation	<u>99</u>

Edgar Filing: MIDDLEBY CORP - Form 10-K

Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>99</u>
Item 13.	Certain Relationships and Related Transactions, and Director Independence	<u>99</u>
Item 14.	Principal Accountant Fees and Services	<u>99</u>
	PART IV	
Item 15.	Exhibits and Financial Statement Schedule	<u>100</u>

---

## PART I

### Item 1. Business

#### General

The Middleby Corporation (“Middleby” or the “company”), through its operating subsidiary Middleby Marshall Inc. (“Middleby Marshall”) and its subsidiaries, is a leader in the design, manufacture, marketing, distribution, and service of a broad line of (i) foodservice equipment used in all types of commercial restaurants and institutional kitchens, (ii) food preparation, cooking, baking, chilling and packaging equipment for food processing operations, and (iii) premium kitchen equipment including ranges, ovens, refrigerators, ventilation and dishwashers primarily used in the residential market.

Founded in 1888 as a manufacturer of baking ovens, Middleby Marshall Oven Company was acquired in 1983 by TMC Industries Ltd., a publicly traded company that changed its name in 1985 to The Middleby Corporation. The company has established itself as a leading provider of (i) commercial restaurant equipment, (ii) food processing equipment and (iii) residential kitchen equipment as a result of its acquisition of industry leading brands and through the introduction of innovative products within each of these segments.

The company's annual reports on Form 10-K, including this Form 10-K, as well as the company's quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available, free of charge, on the company's internet website, [www.middleby.com](http://www.middleby.com). These reports are available as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”).

#### Business Segments and Products

The company conducts its business through three principal business segments: the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. See Note 10 to the Consolidated Financial Statements for further information on the company's business segments.

#### Commercial Foodservice Equipment Group

The Commercial Foodservice Equipment Group has a broad portfolio of foodservice equipment, which enable it to serve virtually any cooking or warming application within a commercial kitchen or foodservice operation. This cooking and warming equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions.

This commercial foodservice equipment is marketed under a portfolio of forty brands, including Anets®, Beech®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, Britannia®, CTX®, Carter-Hoffmann®, Celfrost®, Concordia®, CookTek®, Desmon®, Doyon®, Eswood®, FriFri®, Giga®, Goldstein®, Holman®, Houno®, IMC®, Induc®, Jade®, Lang®, Lincat®, MagiKitch'n®, Market Forge®, Marsal®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, TurboChef®, Wells® and Wunder-Bar®.

The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, warming equipment, heated cabinets, charbroilers, ventless cooking systems, kitchen ventilation, induction

cooking equipment, countertop cooking equipment, toasters, professional refrigerators, blast chillers, coldrooms, ice machines, freezers and beverage dispensing equipment.

#### Food Processing Equipment Group

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity, greater throughput and reduced labor costs through automation.

This food processing equipment is marketed under a portfolio of thirteen brands, including Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars®, Stewart Systems® and Thurne®.

The products offered by this group include a wide array of cooking and baking solutions, including batch ovens, baking ovens, proofing ovens, conveyor ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as grinders, slicers, emulsifiers, mixers, blenders, battering equipment, breading equipment, water cutting systems, food presses, and forming equipment, as well as a variety of food safety, food handling, freezing and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

#### Residential Kitchen Equipment Group

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. Principal product lines of this group are ranges, cookers, stoves, ovens, refrigerators, dishwashers, microwaves, cooktops, refrigerators, wine coolers, ice machines, dishwashers, ventilation equipment and outdoor equipment. These products are sold and marketed under a portfolio of twenty-one brands, including AGA®, AGA Cookshop®, Brigade®, Divertimenti®, Falcon®, Fired Earth®, Grange®, Heartland®, La Cornue®, Leisure Sinks®, Lynx®, Marvel®, Mercury®, Rangemaster®, Rayburn®, Redfyre®, Sedona®, Stanley®, TurboChef®, U-Line® and Viking®.

#### Acquisition Strategy

The company has pursued a strategy to acquire and assemble a leading portfolio of brands and technologies for each of its three business segments. Over the past three years, the company has completed sixteen acquisitions to add to its portfolio of brands and technologies of the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. These acquisitions have added twenty-nine brands to the Middleby portfolio and positioned the company as a leading provider of equipment in each respective industry.

#### Commercial Foodservice Equipment Group

October 2013: The company acquired substantially all of the assets of Celfrost Innovations Pvt. Ltd. ("Celfrost"), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately \$11.2 million.

December 2013: The company acquired all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar"), a leading manufacturer of beverage dispensing systems for the commercial foodservice industry for approximately \$74.1 million.

January 2014: The company acquired certain assets of Market Forge Industries, Inc. ("Market Forge"), a leading manufacturer of steam cooking equipment for the commercial foodservice industry for approximately \$7.0 million.

September 2014: The company acquired all of the capital stock of Concordia Coffee Company, Inc. ("Concordia"), a leading manufacturer of automated and self-service coffee and espresso machines for the commercial foodservice industry, for a purchase price of approximately \$12.5 million, net of cash acquired.

January 2015: The company acquired all of the capital stock of Desmon Food Service Equipment Company ("Desmon"), a leading manufacturer of blast chillers and refrigeration for the commercial foodservice industry, located in Nusco, Italy, for a purchase price of approximately \$13.5 million.

January 2015: The company acquired substantially all of the assets of J. Goldstein & Co. Pty. Ltd. ("Goldstein") and Eswood Australia Pty. Ltd. ("Eswood" and together with Goldstein, "Goldstein Eswood"). Goldstein is a leading manufacturer of cooking equipment including ranges, ovens, griddles, fryers and warming equipment and Eswood is a leading manufacturer of dishwashing equipment, both for the commercial foodservice industry, located in Smithfield, Australia, for a purchase price of approximately \$27.4 million.

February 2015: The company acquired certain assets of Marsal & Sons, Inc ("Marsal"), a leading manufacturer of deck ovens for the commercial foodservice industry, for a purchase price of approximately \$5.5 million.



May 2015: The company acquired certain assets of the Induc Commercial Electronics Co. Ltd. ("Induc"), a leading manufacturer of induction cooking equipment for the commercial foodservice industry, located in Qingdao, China, for a purchase price of approximately \$10.6 million.

#### Food Processing Equipment Group

March 2014: The company acquired substantially all of the assets of Processing Equipment Solutions, Inc. ("PES"), a leading manufacturer of water jet cutting equipment for the food processing industry, for a purchase price of approximately \$15.0 million. PES product offerings include the IntelliJet™ and MegaJet™ line of water cutting systems, meat presses and fillet systems.

April 2015: The company acquired certain assets of the High Speed Slicing business unit of Marel ("Thurne"), a leading manufacturer of slicing equipment for the food processing industry, located in Norwich, United Kingdom, for a purchase price of approximately \$12.6 million.

#### Residential Kitchen Equipment Group

January 2013: The company acquired all of the capital stock of Viking Range Corporation ("Viking"), a leading manufacturer of premium residential cooking ranges, ovens and kitchen appliances, for approximately \$361.7 million.

April - June 2013: The company, through Viking, purchased certain assets of four of Viking's former distributors ("Viking Distributors 2013"). The aggregate purchase price of these transactions was approximately \$23.6 million.

January 2014: The company, through Viking, purchased certain assets of two of Viking's former distributors ("Viking Distributors 2014"). The aggregate purchase price of these transactions was approximately \$44.5 million.

November 2014: The company acquired all of the capital stock of U-Line Corporation ("U-Line"), a leading manufacturer of premium residential built-in modular ice making, refrigeration and wine preservation market for the residential industry, for a purchase price of approximately \$142.0 million.

September 2015: The company acquired all of the capital stock of AGA Rangemaster Group plc ("AGA") a leading manufacturer of residential kitchen equipment including cookers, ranges, ovens and refrigeration located in Leamington Spa, the United Kingdom, for a purchase price of approximately \$201.0 million.

December 2015: The company acquired all of the capital stock of Lynx Grills, Inc ("Lynx"), a leading manufacturer of premium residential outdoor equipment for a purchase price of approximately \$83.8 million.

#### The Customers and Market

##### Commercial Foodservice Equipment Industry

The company's end-user customers include: (i) fast food, fast casual and quick-service restaurants, (ii) full-service restaurants, including casual-theme restaurants, (iii) retail outlets, such as convenience stores, supermarkets and department stores and (iv) public and private institutions, such as hotels, resorts, schools, hospitals, long-term care facilities, correctional facilities, stadiums, airports, corporate cafeterias, military facilities and government agencies. The company's domestic sales are primarily through independent dealers and distributors and are marketed by the

company's sales personnel and network of independent manufacturers' representatives. Many of the dealers in the U.S. belong to buying groups that negotiate sales terms with the company. Certain large multi-national restaurant and hotel chain customers have purchasing organizations that manage product procurement for their systems. Included in these customers are several large multi-national restaurant chains, which account for a meaningful portion of the company's business, although no single customer accounts for more than 10% of net sales.

Over the past several decades, the commercial foodservice equipment industry has enjoyed steady growth in the United States due to the development of new quick-service and casual-theme restaurant chain concepts, the expansion of foodservice into nontraditional locations such as convenience stores and store equipment modernization driven by efforts to improve efficiencies within foodservice operations. In the international markets, foodservice equipment manufacturers have been experiencing stronger growth than the U.S. market due to expanding international economies and increased opportunity for expansion by U.S. chains into developing regions.

The company believes that the worldwide commercial foodservice equipment market has sales in excess of \$20.0 billion. The cooking and warming equipment segment of this market is estimated by management to exceed \$1.5 billion in North America and \$3.0 billion worldwide. The company believes that continuing growth in demand for foodservice equipment will result from the development of new restaurant concepts in the U.S. and the expansion of U.S. and foreign chains into international markets, the replacement and upgrade of existing equipment and new equipment requirements resulting from menu changes.

#### Food Processing Equipment Industry

The company's customers include a diversified base of leading food processors. Customers include several large international food processing companies, which account for a significant portion of the revenues of this business segment, although none of which is greater than 10% of net sales. A large portion of the company's revenues have been generated from producers of pre-cooked meat products such as hot dogs, dinner sausages, poultry, and lunchmeats and producers of baked goods such as muffins, cookies and bread; however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets.

Food processing has quickly become a highly competitive landscape dominated by a few large conglomerates that possess a variety of food brands. The consolidation of food processing plants associated with industry consolidation drives a need for more flexible and efficient equipment that is capable of processing large volumes in quicker cycle times. In recent years, food processors have had to conform to the demands of "big-box" retailers and the restaurant industry, including, most importantly, greater product consistency and exact package weights. Food processors are beginning to realize that their old equipment is no longer capable of efficiently producing adequate uniformity in the large product volumes required, and they are turning to equipment manufacturers that offer product consistency, innovative packaging designs and other solutions. To protect their own brands and reputations, retailers and large restaurant chains are also dictating food safety standards that are often more strict than government regulations.

A number of factors, including raw material prices, labor and health care costs, are driving food processors to focus on ways to improve their generally thin profitability margins. In order to increase the profitability and efficiency in processing plants, food processors pay increasingly more attention to the performance of their machinery and the flexibility in the functionality of the equipment. Food processors are continuously looking for ways to make their plants safer and reduce labor-intensive activities. Food processors have begun to recognize the value of new technology as an important vehicle to drive productivity and profitability in their plants. Due to customer requirements, food processors are expected to continue to demand new and innovative equipment that addresses food safety, food quality, automation and flexibility.

Improving living standards in developing countries is spurring increased worldwide demand for pre-cooked and convenience food products. As industrializing countries create more jobs, consumers in these countries will have the means to buy pre-cooked food products. In industrialized regions, such as Western Europe and the U.S., consumers are demanding more pre-cooked and convenience food products, such as deli tray variety packs, frozen food products

and ready-to-eat varieties of ethnic foods.

The global food processing equipment industry is highly fragmented, large and growing. The company estimates demand for food processing equipment is approximately \$5.0 billion in North America and \$40.0 billion worldwide. The company's product offerings compete in a subsegment of the total industry, and the relevant market size for its products is estimated by management to exceed \$2.0 billion in North America and \$4.0 billion worldwide.

## Residential Kitchen Equipment Industry

The company's end-user customers include the high-end residential kitchens. The premium segment of the residential kitchen equipment industry is estimated to be in excess of \$1.0 billion annually in North America. This segment has grown over the past several decades after the original introduction premium cooking range. Viking was the first manufacturer to introduce the premium cooking equipment to the North American market, providing equipment that was comparable to commercial grade ranges and ovens for home chefs and culinarians. The market potential for such equipment has continued to broaden due to an increase in interest from the consumer to have high-end, luxury appliances in their home. Other important factors which affect the market size and growth include the level of new home starts, home remodels and general macro-economic factors. Macro-economic factors such as GDP growth, employment rates, inflation and consumer confidence, which impact the overall economy, impact the residential kitchen equipment industry and cause greater variability in the revenues at this segment than the other business segments the company operates in.

## Backlog

### Commercial Foodservice Equipment Group

The backlog of orders for the Commercial Foodservice Equipment Group was \$68.6 million at January 2, 2016, all of which is expected to be filled during 2016. The acquired Desmon, Goldstein Eswood, Marsal and Induc businesses accounted for \$4.1 million of the backlog. The Commercial Foodservice Equipment Group's backlog was \$60.6 million at January 3, 2015. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

### Food Processing Equipment Group

The backlog of orders for the Food Processing Equipment Group was \$108.5 million at January 2, 2016, all of which is expected to be filled during 2016. The acquired Thurne business accounted for \$2.1 million of the backlog. The Food Processing Equipment Group's backlog was \$67.7 million at January 3, 2015.

### Residential Kitchen Equipment Group

The backlog of orders for the Residential Kitchen Equipment Group was \$56.8 million at January 2, 2016, all of which is expected to be filled during 2016. The acquired AGA and Lynx businesses accounted for \$43.6 million of the backlog. The Residential Kitchen Equipment Group's backlog was \$29.7 million at January 3, 2015. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

## Marketing and Distribution

### Commercial Foodservice Equipment Group

Middleby's products and services are marketed in the U.S. and in over 100 countries through a combination of the company's sales and marketing personnel, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents.

In the United States, the company distributes its products to independent end-users primarily through a network of non-exclusive dealers nationwide, who are supported by manufacturers' marketing representatives. Sales are made direct to certain large restaurant chains that have established their own procurement and distribution organization for their franchise system. The company's relationships with major restaurant chains are primarily handled through an integrated effort of top-level executive and sales management at the corporate and business division levels to best serve each customer's needs. International sales are primarily made through a network of company owned and local independent distributors and dealers.

### Food Processing Equipment Group

The company maintains a direct sales force to market the brands and maintain direct relationships with each of its customers. In North America, the company employs regional sales managers, each with responsibility for a group of customers and a particular region. This sales force is complimented with involvement of executive management to maintain relationships with customer executives and facilitate coordination amongst the brands for the key global accounts. Internationally, the company maintains sales and distribution offices in Brazil, China, Denmark, Dubai, France, Mexico and Russia along with global sales managers supported by a network of independent sales representatives.

The company's sale process is highly consultative due to the highly technical nature of the equipment. During a typical sales process, a salesperson makes several visits to the customer's facility to conceptually discuss the production requirements, footprint and configuration of the proposed equipment. The company employs a technically proficient sales force, many of whom have previous technical experience with the company as well as education backgrounds in food science.

### Residential Kitchen Equipment Group

The company's products are marketed through a network of distributors, dealers, designers, and home builders to the residential customers. The company markets and sells its products to these channels through a company-employed sales force. The company's products are distributed through a combination of an independent network of distributors and its wholly owned distribution operations. The company's wholly owned distribution operations were established in connection with the Viking and related Viking Distributors' acquisitions and include two primary customer support centers and regional warehouse and logistic operations, which stock products and service parts for the respective region.

Marketing support is provided to and coordinated with its network of dealers, designers, and home builders sales partners to allow for coordinated efforts to market jointly to the end-user customers. The company in certain cases offers incentive based financial programs to invest in local marketing activities with these sales partners.

### Services and Product Warranty

The company is an industry leader in equipment installation programs and after-sales support and service. The company provides a warranty on its products typically for a one year period and in certain instances greater periods. The emphasis on global service increases the likelihood of repeat business and enhances Middleby's image as a partner and provider of quality products and services.

### Commercial Foodservice Equipment Group

The company's domestic service network consists of over 100 authorized service parts distributors and 3,000 independent certified technicians who have been formally trained and certified by the company through its factory training school and on-site installation training programs. Technicians work through service parts distributors, which are required to provide around-the-clock service. The company provides real-time technical support to the technicians in the field through factory-based technical service engineers. The company maintains sufficient service parts inventory to ensure short lead times for service calls.

It is critical to major foodservice chains that equipment providers be capable of supporting equipment on a worldwide basis. The company's international service network covers over 100 countries with thousands of service technicians trained in the installation and service of the company's products and supported by internationally-based service managers along with the factory-based technical service engineers.

#### Food Processing Equipment Group

The company maintains a technical service group of employees that oversees and performs installation and startup of equipment and completes warranty and repair work. This technical service group provides services for customers both domestically and internationally. Service technicians are trained regularly on new equipment to ensure the customer receives a high level of customer service. From time to time the company utilizes trained third party technicians supervised by company employees to supplement company employees on large projects.



## Residential Kitchen Equipment Group

The company maintains a network of independent authorized service agents throughout North America. Authorized service agents are supported and trained by regional factory-support centers of the company. Trained technical support personnel are available to support independent service agents with technical information and assist in repair issues. The factory-support centers also dispatch service technicians to the customer and provide follow-up and monitoring to ensure field issues are resolved. The company's independent service agents maintain a stock of factory-supplied parts to allow for a high first-call completion rate for service and warranty repairs. The company maintains a substantial amount of service parts at each of its manufacturing operations and at regional service parts depots to provide for quick ship of parts to service agents and end-user customers when necessary.

Internationally, the company has a network of company owned and independent distributors that provide sales and technical service support in their respective markets. These distributors are required to have a team of factory-trained service technicians and maintain a required stock of service parts to support the equipment in the market. The factory supports the international distributors with technical trainers which travel to the various markets to provide on-hands training and monitoring of the distributor service operations.

## Competition

The commercial foodservice, food processing and residential kitchen equipment industries are highly competitive and fragmented. Within a given product line the company may compete with a variety of companies, including companies that manufacture a broad line of products and those that specialize in a particular product category. Competition is based upon many factors, including brand recognition, product features, reliability, quality, price, delivery lead times, serviceability and after-sale service. The company believes that its ability to compete depends on strong brand equity, exceptional product performance, short lead-times and timely delivery, competitive pricing and superior customer service support. In the international markets, the company competes with U.S. manufacturers and numerous global and local competitors.

The company believes that it is one of the largest multiple-line manufacturers of commercial kitchen, food processing and residential kitchen equipment in the U.S. and worldwide although some of its competitors are units of operations that are larger than the company and possess greater financial and personnel resources. Among the company's major competitors to the Commercial Foodservice Equipment Group are: Manitowoc Company, Inc.; Vulcan-Hart and Hobart Corporation, subsidiaries of Illinois Tool Works Inc.; Electrolux; Groen, a subsidiary of Dover Corporation; Rational AG; and the Ali Group. Major competitors to the Food Processing Equipment Group include AMF Bakery Systems, The GEA Group, JBT Technologies, Marel, and Provisur. The residential kitchen appliance sector is highly competitive and includes a number of large global competitors including, Whirlpool Corporation, Electrolux, GE Appliances, LG Corporation, Panasonic Corporation and Samsung Group. However, within the premium segment of this kitchen equipment market, there are fewer competitors and the company's primary competition includes Wolf and Subzero, subsidiaries of Sub-Zero Group, Inc.; Thermador, Bosch and Gaggenau, subsidiaries of Bosch Siemens; Dacor and Miele.

## Manufacturing and Quality Control

The company's manufacturing operations provide for an expertise in the design and production of specific products for each of the three business segments. The company has from time to time either consolidated manufacturing facilities producing similar product or transferred production of certain products to another existing operation with a higher level of expertise or efficiency.

The Commercial Foodservice Equipment Group manufactures its products in thirteen domestic and ten international production facilities. These production facilities are located in Brea, California; Vacaville, California; Windsor, California; Elgin, Illinois; Mundelein, Illinois; Menominee, Michigan; Bow, New Hampshire; Fuquay-Varina, North Carolina; Cookeville, Tennessee; Smithville, Tennessee; Carrollton, Texas; Burlington, Vermont; Redmond, Washington; New South Wales, Australia; Qingdao, China; Shanghai, China; Randers, Denmark; Nusco, Italy; Scandicci, Italy; Laguna, the Philippines; Lincoln, the United Kingdom; Warwickshire, the United Kingdom and Wrexham, the United Kingdom.

The Food Processing Equipment Group manufactures its products in seven domestic and three international production facilities. These production facilities are located in Gainesville, Georgia; Chicago, Illinois; Algona, Iowa; Clayton, North Carolina; Plano, Texas; Waynesboro, Virginia; Lodi, Wisconsin; Mauron, France; Reichenau, Germany and Norwich, the United Kingdom.

The Residential Kitchen Equipment Group manufactures its products in six domestic and nine international production facilities. These production facilities are located in Downey, California; Greenville, Michigan; Greenwood, Mississippi; Brown Deer, Wisconsin; Rosyl St. Pierre, France; Saint Ouen L'aumone, France; Saint Symhorien, France; Waterford, Ireland; Gee Targu Mures, Romania; Coalbrookdale, the United Kingdom; Ketley, the United Kingdom; Leamington Spa, the United Kingdom and Nottingham, the United Kingdom.

Metal fabrication, finishing, sub-assembly and assembly operations are conducted at each manufacturing facility. Equipment installed at individual manufacturing facilities includes numerically controlled turret presses and machine centers, shears, press brakes, welding equipment, polishing equipment, CAD/CAM systems and product testing and quality assurance measurement devices. The company's CAD/CAM systems enable virtual electronic prototypes to be created, reviewed and refined before the first physical prototype is built.

Detailed manufacturing drawings are quickly and accurately derived from the model and passed electronically to manufacturing for programming and optimal parts nesting on various numerically controlled punching cells. The company believes that this integrated product development and manufacturing process is critical to assuring product performance, customer service and competitive pricing.

The company has established comprehensive programs to ensure the quality of products, to analyze potential product failures and to certify vendors for continuous improvement. Products manufactured by the company are tested prior to shipment to ensure compliance with company standards.

#### Sources of Supply

The company purchases its raw materials and component parts from a number of suppliers. The majority of the company's material purchases are standard commodity-type materials, such as stainless steel, electrical components and hardware. These materials and parts generally are available in adequate quantities from numerous suppliers. Some component parts are obtained from sole sources of supply. In such instances, management believes it can substitute other suppliers as required. The majority of fabrication is done internally through the use of automated equipment. Certain equipment and accessories are manufactured by other suppliers for sale by the company. The company believes it enjoys good relationships with its suppliers and considers the present sources of supply to be adequate for its present and anticipated future requirements.

#### Research and Development

The company believes its future success will depend in part on its ability to develop new products and to improve existing products. Much of the company's research and development efforts at the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group are directed to the development and improvement of products designed to reduce cooking and processing time, increase capacity or throughput, reduce energy consumption, minimize labor costs, improve product yield and improve safety, while maintaining consistency and quality of cooking production and food preparation. The company has identified these issues as key concerns for most of its customers. The company often identifies product improvement opportunities by working closely with customers on specific applications. Most research and development activities are performed by the company's technical service and engineering staff located at each manufacturing location. On occasion, the company will contract outside engineering firms to assist with the development of certain technical concepts and applications. See Note 4(o) to the Consolidated Financial Statements for further information on the company's research and development activities.

## Trademarks, Patents and Licenses

The company has developed, acquired and assembled a leading portfolio of trademarks and trade names. The company believes that these trademarks and trade names provide for a significant competitive advantage due to a long-standing recognition in the marketplace with customers, restaurant operators, distribution partners, sales and service agents, and foodservice consultants that specify foodservice equipment. The company has historically maintained a high level of marketshare of products sold with these trademarks and trade names.

The company's leading portfolio of trade names of its Commercial Foodservice Equipment Group include Anets®, Beech®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, Britannia®, CTX®, Carter-Hoffmann®, Celfrost®, Concordia®, CookTek®, Desmon®, Doyon®, Eswood®, FriFri®, Giga®, Goldstein®, Holman®, Houno®, IMC®, Induc®, Jade®, Lang®, Lincat®, MagiKitch'n®, Market Forge®, Marsal®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, Turbochef®, Wells® and Wunder-Bar®.

The company's leading portfolio of trade names of its Food Processing Equipment Group include Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars®, Stewart Systems® and Thurne®.

The company's leading portfolio of trade names of its Residential Kitchen Equipment Group include AGA®, AGA Cookshop®, Brigade®, Divertimenti®, Falcon®, Fired Earth®, Grange®, Heartland®, La Cornue®, Leisure Sinks®, Lynx®, Marvel®, Mercury®, Rangemaster®, Rayburn®, RedFyre®, Sedona®, Stanley®, TurboChef®, U-Line® and Viking®.

The company holds a broad portfolio of patents and licenses covering technology and applications related to various products, equipment and systems. Management believes the expiration of any one of these patents would not have a material adverse effect on the overall operations or profitability of the company.

## Employees

### Commercial Foodservice Equipment Group

As of January 2, 2016, 3,215 persons were employed within the Commercial Foodservice Equipment Group. Of this amount, 1,313 were management, administrative, sales, engineering and supervisory personnel; 1,694 were hourly production non-union workers; and 208 were hourly production union members. Included in these totals were 1,284 individuals employed outside of the United States, of which 711 were management, sales, administrative and engineering personnel, 499 were hourly production non-union workers and 74 were hourly production union workers, who participate in an employee cooperative. At its Windsor, California facility, the company has a union contract with the Sheet Metal Workers International Association that expires on December 31, 2016. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on July 31, 2017. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that expires on June 30, 2016. Management believes that the relationships between employees, unions and management are good.

### Food Processing Equipment Group

As of January 2, 2016, 1,057 persons were employed within the Food Processing Equipment Group. Of this amount, 537 were management, administrative, sales, engineering and supervisory personnel; 392 were hourly production non-union workers; and 128 were hourly production union members. Included in these totals were 445 individuals employed outside of the United States, of which 238 were management, sales, administrative and engineering personnel and 207 were hourly production non-union workers. At its Lodi, Wisconsin facility, the company has a contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers that expires on December 31, 2018. At its Algona, Iowa facility, the company has a union contract with the United Food and Commercial Workers that expires on December 31, 2018. Management believes that the relationships between employees, unions and management are good.

### Residential Kitchen Equipment Group

As of January 2, 2016, 3,501 persons were employed within the Residential Kitchen Equipment Group. Of this amount, 1,771 were management, administrative, sales, engineering and supervisory personnel and 1,730 were hourly production workers. Included in these totals were 2,324 individuals employed outside of the United States, of which 1,326 were management, sales, administrative and engineering personnel and 998 were hourly non-union production workers. Management believes that the relationships between employees and management are good.

Corporate

As of January 2, 2016, 27 persons were employed at the corporate office.

Seasonality

The company's revenues at the Commercial Foodservice Equipment Group historically have been slightly stronger in the second and third quarters due to increased purchases from customers involved with the catering business and institutional customers, particularly schools, during the summer months. Revenues at the Residential Kitchen Equipment Group are historically stronger in the second and third quarters due to increased purchases of outdoor cooking equipment and greater new home construction and remodels during the summer months.

Item 1A. Risk Factors

The company's business, results of operations, cash flows and financial condition are subject to various risks, including, but not limited to those set forth below. If any of the following risks actually occurs, the company's business, results of operations, cash flows and financial condition could be materially adversely affected. These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading "Special Note Regarding Forward-Looking Statements".

Economic conditions may cause a decline in business and consumer spending which could adversely affect the company's business and financial performance.

The company's operating results are impacted by the health of the North American, European, Asian and Latin American economies. The company's business and financial performance, including collection of its accounts receivable, may be adversely affected by the current and future economic conditions that caused, and may cause in the future, a decline in business and consumer spending, a reduction in the availability of credit and decreased growth by its existing customers, resulting in customers electing to delay the replacement of aging equipment. Higher energy costs, rising interest rates, weakness in the residential construction, housing and home improvement markets, financial market volatility, recession and acts of terrorism may also adversely affect the company's business and financial performance. Additionally, the company may experience difficulties in scaling its operations due to economic pressures in the U.S. and International markets.

The company's level of indebtedness could adversely affect its business, results of operations and growth strategy.

The company now has and may continue to have a significant amount of indebtedness. At January 2, 2016, the company had \$766.1 million of borrowings and \$6.9 million in letters of credit outstanding. To the extent the company requires additional capital resources, there can be no assurance that such funds will be available on favorable terms, or at all. The unavailability of funds could have a material adverse effect on the company's financial condition, results of operations and ability to expand the company's operations.

The company's level of indebtedness could adversely affect it in a number of ways, including the following:

- the company may be unable to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate purposes;
- a significant portion of the company's cash flow from operations must be dedicated to debt service, which reduces the amount of cash the company has available for other purposes;
- the company may be more vulnerable in the event of a downturn in the company's business or general economic and industry conditions;
- the company may be disadvantaged competitively by its potential inability to adjust to changing market conditions, as a result of its significant level of indebtedness; and
- the company may be restricted in its ability to make strategic acquisitions and to pursue new business opportunities.





The company's current credit agreement limits its ability to conduct business, which could negatively affect the company's ability to finance future capital needs and engage in other business activities.

The covenants in the company's existing credit agreement contain a number of significant limitations on its ability to, among other things:

- pay dividends;
- incur additional indebtedness;
- create liens on the company's assets;
- engage in new lines of business;
- make investments;
- make capital expenditures and enter into leases; and
- acquire or dispose of assets.

These restrictive covenants, among others, could negatively affect the company's ability to finance its future capital needs, engage in other business activities or withstand a future downturn in the company's business or the economy.

Under the company's current credit agreement, the company is required to maintain certain specified financial ratios and meet financial tests, including certain ratios of leverage and fixed charge coverage. The company's ability to comply with these requirements may be affected by matters beyond its control, and, as a result, there can be no assurance that the company will be able to meet these ratios and tests. A breach of any of these covenants would prevent the company from being able to draw under the company's revolver and would result in a default under the company's current credit agreement. In the event of a default under the company's current credit agreement, the lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and other fees, to be immediately due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable at such time. The company may be unable to pay these debts in these circumstances.

The company has a significant amount of goodwill and could suffer losses due to asset impairment charges.

The company's balance sheet includes a significant amount of goodwill, which represents approximately 36% of its total assets as of January 2, 2016. The excess of the purchase price over the fair value of assets acquired, including identifiable intangible assets, and liabilities assumed in conjunction with acquisitions is recorded as goodwill. In accordance with Accounting Standards Codification ("ASC") 350 "Intangibles-Goodwill and Other", the company's long-lived assets (including goodwill and other intangibles) are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of long-lived assets, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of the company's businesses, which could significantly affect the company's valuations and could result in additional future impairments. Also, estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges. Any such charge could have a material adverse effect on the company's reported net earnings.

The company's defined benefit pension plans are subject to financial market risks that could adversely affect the company's financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in fair value of plan assets, investment losses on plan assets and changes in discount rates may increase the company's funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing healthcare coverage to current employees and retirees may increase our future funding obligations and adversely affect our financial statements.

Competition in the commercial foodservice, food processing, and residential kitchen equipment industries is intense and could impact the company's results of operations and cash flows.

The company operates in highly competitive industries. In each of the company's three business segments, competition is based on a variety of factors including product features and design, brand recognition, reliability, durability, technology, energy efficiency, breadth of product offerings, price, customer relationships, delivery lead-times, serviceability and after-sale service. The company has numerous competitors in each business segment. Many of the company's competitors are substantially larger and enjoy substantially greater financial, marketing, technological and personnel resources. These factors may enable them to develop similar or superior products, to provide lower cost products and to carry out their business strategies more quickly and efficiently than the company can. In addition, some competitors focus on particular product lines or geographic regions or emphasize their local manufacturing presence or local market knowledge. Some competitors have different pricing structures and may be able to deliver their products at lower prices. Although the company believes that the performance and price characteristics of its products will provide competitive solutions for its customers' needs, there can be no assurance that the company's customers will continue to choose the company's products over products offered by its competitors.

Further, the markets for the company's products are characterized by changing technology and evolving industry standards. The company's ability to compete in the past has depended in part on the company's ability to develop innovative new products and bring them to market more quickly than the company's competitors. The company's ability to compete successfully will depend, in large part, on its ability to enhance and improve its existing products, to continue to bring innovative products to market in a timely fashion, to adapt the company's products to the needs and standards of its current and potential customers and to continue to improve operating efficiencies and lower manufacturing costs. Moreover, competitors may develop technologies or products that render the company's products obsolete or less marketable. If the company's products, markets and services are not competitive, the company's business, financial condition and operating results will be materially harmed.

The company is subject to risks associated with developing products and technologies, which could delay product introductions and result in significant expenditures.

The product, program and service needs of the company's customers change and evolve regularly, and the company invests substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Also, the company continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical or other problems, meeting development, production, certification and regulatory approval schedules, execution of internal and external performance plans, availability of supplier- and internally-produced parts and materials, performance of suppliers and subcontractors, hiring and training of qualified personnel, achieving cost and production efficiencies, identification of emerging technological trends in the company's target end-markets, validation of innovative technologies, the level of customer interest in new technologies and products, and customer acceptance of the company's products and products that incorporate technologies that the company develops. These factors involve significant risks and uncertainties. Also, any development efforts divert resources from other potential investments in the company's businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of the company's customers as fully as competitive offerings. In addition, the markets for the company's products or products that incorporate the company's technologies may not develop or grow as the company anticipates. The company or its suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of the company's products, the company may in the future experience delays in

completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. The occurrence of any of these risks could cause a substantial change in the design, delay in the development, or abandonment of new technologies and products. Consequently, there can be no assurance that the company will develop new technologies superior to the company's current technologies or successfully bring new products to market.

Additionally, there can be no assurance that new technologies or products, if developed, will meet the company's current price or performance objectives, be developed on a timely basis, or prove to be as effective as products based on other technologies. The inability to successfully complete the development of a product, or a determination by the company, for financial, technical or other reasons, not to complete development of a product, particularly in instances in which the company has made significant expenditures, could have a material adverse effect on the company's financial condition and operating results.

The company has depended, and will continue to depend, on key customers for a material portion of its revenues. As a result, changes in the purchasing patterns of such key customers could adversely impact the company's operating results.

Many of the company's key customers are large restaurant chains and major food processing companies. The demand for the company's equipment can vary from quarter to quarter depending on the company's customers' internal growth plans, construction, seasonality and other factors. In addition, during an economic downturn, key customers could both open fewer facilities and defer purchases of new equipment for existing operations. Either of these conditions could have a material adverse effect on the company's financial condition and results of operations.

Price changes in some materials and disruptions in supply could affect the company's profitability.

The company uses large amounts of stainless steel, aluminized steel and other commodities in the manufacture of its products. A significant increase in the price of steel or any other commodity that the company is not able to pass on to its customers would adversely affect the company's operating results. In addition, an unanticipated delay in delivery of raw materials and component inventories by suppliers—including a delay due to capacity constraints, labor disputes, the financial condition of suppliers, weather emergencies, or other natural disasters—may impair the ability of the company to satisfy customer demand. An interruption in or the cessation of an important supply by any third party and the company's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the company's business, financial condition and operating results.

The company's acquisition, investment and alliance strategy involves risks. If the company is unable to effectively manage these risks, its business will be materially harmed.

To achieve the company's strategic objectives, the company has pursued and may continue to pursue strategic acquisitions and investments or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

- difficulties in the assimilation of acquired businesses or technologies;
- inability to operate acquired businesses or utilize acquired technologies profitably;
- diversion of management's attention from other business concerns;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives;
- unanticipated costs relating to acquisitions or to the integration of the acquired businesses;
- loss of customers, suppliers, or key employees; and
- the impact on the company's internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

The company may not be able to successfully integrate any operations, personnel, services or products that it has acquired or may acquire in the future.

The company may seek to expand or enhance some of its operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the businesses of newly formed joint ventures, exercising influence over the activities of joint ventures in which the company does not have a controlling interest and potential conflicts with the company's joint venture or alliance partners.

An inability to identify or complete future acquisitions could adversely affect future growth.

The company has historically followed a strategy of identifying and acquiring businesses with complementary products and services. As part of its growth strategy, the company intends to pursue acquisitions that provide opportunities for profitable growth and which enable it to leverage its competitive strengths. While the company continues to evaluate potential acquisitions, it may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions, or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit the company's growth.

Expansion of the company's operations internationally involves special challenges that it may not be able to meet. The company's failure to meet these challenges could adversely affect its business, financial condition and operating results.

The company plans to continue to expand its operations internationally. The company faces certain risks inherent in doing business in international markets. These risks include:

- extensive regulations and oversight, tariffs and other trade barriers;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social, and economic instability and disruptions;
- labor unrests;
- potential for nationalization of enterprises; and
- limitations on the company's ability to enforce legal rights and remedies.

In addition, the company is and will be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which the company conducts business.

There can be no assurance that the company will be able to succeed in marketing its products and services in international markets. The company may also experience difficulty in managing its international operations because of, among other things, competitive conditions overseas, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of the company's international operations and, consequently, on the company's business, financial condition and operating results.

The company is subject to currency fluctuations and other risks from its operations outside the United States.

The company has manufacturing and distribution operations located in Asia, Europe and Latin America. The company's operations are subject to the impact of economic downturns, political instability and foreign trade restrictions, which may adversely affect the company's business, financial condition and operating results. The company anticipates that international sales will continue to account for a significant portion of consolidated net sales in the foreseeable future. Some sales and operating costs of the company's foreign operations are realized in local currencies, and an increase in the relative value of the U.S. dollar against such currencies would lead to a reduction in consolidated sales and earnings. Additionally, foreign currency exposures are not fully hedged, and there can be no assurances that the company's future results of operations will not be adversely affected by currency fluctuations. Furthermore, currency fluctuations may affect the prices paid to the company's suppliers for materials the company uses in production. As a result, operating margins may also be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross-border transactions.



The company may not be able to adequately protect its intellectual property rights, and this inability may materially harm its business.

The company relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect the company's proprietary technology and other proprietary rights. The company has filed numerous patent applications covering the company's technology. Notwithstanding the precautions the company takes to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorization or may otherwise infringe on the company's rights. In some cases, including with respect to a number of the company's most important products, there may be no effective legal recourse against duplication by competitors. In the future, the company may have to rely on litigation to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to the company and diversions of the company's resources, either of which could adversely affect the company's business.

Any infringement by the company on patent rights of others could result in litigation and adversely affect its ability to continue to provide, or could increase the cost of providing, the company's products and services.

Patents of third parties may have an important bearing on the company's ability to offer some of its products and services. The company's competitors, as well as other companies and individuals, may obtain patents related to the types of products and services the company offers or plans to offer. There can be no assurance that the company is or will be aware of all patents containing claims that may pose a risk of infringement by its products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, the company cannot evaluate the extent to which its products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of the company's products or services were to infringe patents held by others, the company may be required to stop developing or marketing the products or services, to obtain licenses from the holders of the patents to develop and market the services, or to redesign the products or services in such a way as to avoid infringing on the patent claims. The company cannot assess the extent to which it may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether it would be able to obtain such licenses on commercially reasonable terms. If the company were unable to obtain such licenses, it also may not be able to redesign the company's products or services to avoid infringement, which could materially adversely affect the company's business, financial condition and operating results.

The company may be the subject of product liability claims or product recalls, and it may be unable to obtain or maintain insurance adequate to cover potential liabilities.

Product liability is a significant commercial risk to the company. The company's business exposes it to potential liability risks that arise from the manufacture, marketing and sale of the company's products. In addition to direct expenditures for damages, settlement and defense costs, there is a possibility of adverse publicity as a result of product liability claims. Some plaintiffs in some jurisdictions have received substantial damage awards against companies based upon claims for injuries allegedly caused by the use of their products. In addition, it may be necessary for the company to recall products that do not meet approved specifications, which could result in adverse publicity as well as costs connected to the recall and loss of revenue.

The company cannot be certain that a product liability claim or series of claims brought against it would not have an adverse effect on the company's business, financial condition or results of operations. If any claim is brought against

the company, regardless of the success or failure of the claim, the company cannot assure you that it will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities or the cost of a recall. The company currently maintains insurance programs consisting of self insurance up to certain limits and excess insurance coverage for claims over established limits. There can be no assurance that the company will be able to obtain insurance on acceptable terms or that its insurance programs will provide adequate protection against actual losses. In addition, the company is subject to the risk that one or more of its insurers may become insolvent or become unable to pay claims that may be made in the future.

An increase in warranty expenses could adversely affect the company's financial performance.

The company offers purchasers of its products warranties covering workmanship and materials typically for one year and, in certain circumstances, for periods of up to ten years, during which periods the company or an authorized service representative will make repairs and replace parts that have become defective in the course of normal use. The company estimates and records its future warranty costs based upon past experience. These warranty expenses may increase in the future and may exceed the company's warranty reserves, which, in turn, could adversely affect the company's financial performance.

The company may be subject to litigation, environmental, and other legal compliance risks.

In addition to product liability claims, the company is subject to a variety of litigation, tax, and legal compliance risks. These risks include, among other things, possible liability relating to personal injuries, intellectual property rights, contract-related claims, taxes, environmental matters, and compliance with U.S. and foreign export laws, competition laws, and laws governing improper business practices. The company or one of its business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, the company could be subject to significant fines, penalties, repayments, or other damages.

The company is subject to potential liability under environmental laws.

The company's operations are regulated under a number of federal, state and local environmental laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. Compliance with these environmental laws and regulations is a significant consideration for the company because it uses hazardous materials in its manufacturing processes. In addition, because the company is a generator of hazardous wastes, even if it fully complies with applicable environmental laws, it may be subject to financial exposure for costs associated with an investigation and remediation of sites at which it has arranged for the disposal of hazardous wastes if these sites become contaminated. In the event of a violation of environmental laws, the company could be held liable for damages and for the costs of remedial actions. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could negatively affect the company's operating results. There can be no assurance that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory authorities, or other unanticipated events will not arise in the future and give rise to additional environmental liabilities, compliance costs, and penalties that could be material. Environmental laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon the financial condition, results of operations, or cash flows of the company.

Unfavorable tax law changes and tax authority rulings may adversely affect results.

The company is subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are based on the income and expenses in various tax jurisdictions. The amount of the company's income and other tax liability is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, future financial results may include unfavorable tax adjustments.

The company's reputation, ability to do business, and results of operations may be impaired by improper conduct by any of its employees, agents, or business partners.

While the company strives to maintain high standards, the company cannot provide assurance that its internal controls and compliance systems will always protect it from acts committed by its employees, agents, or business partners that would violate U.S. and/or foreign laws or fail to protect the company's confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims rules, competition, export and import compliance, money laundering, and data privacy laws, as well as the improper use of proprietary information or social media. Any such violations of law or improper actions could subject the company to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties, and related shareholder lawsuits, could lead to increased costs of compliance and could damage the company's reputation.

The company's financial performance is subject to significant fluctuations.

The company's financial performance is subject to quarterly and annual fluctuations due to a number of factors, including:

- general economic conditions;

• the lengthy, unpredictable sales cycle for commercial foodservice equipment, food processing equipment and residential kitchen equipment group;

- the gain or loss of significant customers;

- unexpected delays in new product introductions;

• the level of market acceptance of new or enhanced versions of the company's products;

- unexpected changes in the levels of the company's operating expenses; and

- competitive product offerings and pricing actions.

Each of these factors could result in a material and adverse change in the company's business, financial condition and results of operations.

The company may be unable to manage its growth.

The company has recently experienced rapid growth in business. Continued growth could place a strain on the company's management, operations and financial resources. There also will be additional demands on the company's sales, marketing and information systems and on the company's administrative infrastructure as it develops and offers additional products and enters new markets. The company cannot be certain that the company's operating and financial control systems, administrative infrastructure, outsourced and internal production capacity, facilities and personnel will be adequate to support the company's future operations or to effectively adapt to future growth. If the company cannot manage the company's growth effectively, the company's business may be harmed.

The company's business could suffer in the event of a work stoppage by its unionized labor force.

Because the company has a significant number of workers whose employment is subject to collective bargaining agreements and labor union representation, the company is vulnerable to possible organized work stoppages and similar actions. Unionized employees accounted for approximately 4% of the company's workforce as of January 2, 2016. The company has union contracts with employees at its facilities in Windsor, California; Algona, Iowa; Elgin, Illinois and Lodi, Wisconsin that extend through December 2016, December 2018, July 2017 and December 2018, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2016. Approximately 2% of the company's workforce is covered by collective bargaining agreements that expire within one year. Any future strikes, employee slowdowns or similar actions by one or more unions, in connection with labor contract negotiations or otherwise, could have a material adverse effect on the company's ability to operate the company's business.

The company depends significantly on its key personnel.

The company depends significantly on the company's executive officers and certain other key personnel, whom could be difficult to replace. While the company has employment agreements with certain key executives, the company cannot be certain that it will succeed in retaining this personnel or their services under existing agreements. The incapacity, inability or unwillingness of certain of these people to perform their services may have a material adverse effect on the company. There is intense competition for qualified personnel within the company's industry, and there can be no assurance that the company will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company's business and operations.

The company may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which may materially adversely affect the company's operations, financial condition and operating results.

The company depends on information technology as an enabler to improve the effectiveness of its operations and to interface with its customers, as well as to maintain financial accuracy and efficiency. Information technology system failures, including suppliers' or vendors' system failures, could disrupt the company's operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or shipment of products, other business disruptions, or the loss of or damage to intellectual property through security breach.

The company's information systems, or those of its third-party service providers, could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt the company's business and could result in the loss of assets. Cybersecurity attacks are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. These events could impact the company's customers and reputation and lead to financial losses from remediation actions, loss of business or potential liability or an increase in expense, all of which may have a material adverse effect on the company's business.

The impact of future transactions on the company's common stock is uncertain.

The company periodically reviews potential transactions related to products or product rights and businesses complementary to the company's business. Such transactions could include mergers, acquisitions, joint ventures, alliances or licensing agreements. In the future, the company may choose to enter into such transactions at any time. The impact of transactions on the market price of a company's stock is often uncertain, but it may cause substantial fluctuations to the market price. Consequently, any announcement of any such transaction could have a material adverse effect upon the market price of the company's common stock. Moreover, depending upon the nature of any transaction, the company may experience a charge to earnings, which could be material and could possibly have an adverse impact upon the market price of the company's common stock.

The trading price of the company's common stock has been volatile, and investors in the company's common stock may experience substantial losses.

The trading price of the company's common stock has been volatile and may become volatile again in the future. The trading price of the company's common stock could decline or fluctuate in response to a variety of factors, including:

• the company's failure to meet the performance estimates of securities analysts;

• changes in buy/sell recommendations by securities analysts;

• fluctuations in our operating results;

• substantial sales of the company's common stock

• general stock market conditions; or

other economic or external factors.

Item 1B. Unresolved Staff Comments

Not applicable.

18

---



## Item 2. Properties

The company's principal executive offices are located in Elgin, Illinois. The company operates twenty-six manufacturing facilities in the U.S and twenty-two manufacturing facilities internationally.

The principal properties of the company used to conduct business operations are listed below:

Location	Principal Function	Square Footage	Owned/ Leased	Lease Expiration
Commercial Foodservice:				
Brea, CA	Manufacturing, Warehousing and Offices	80,700	Leased	September 2018
Vacaville, CA	Manufacturing, Warehousing and Offices	39,500	Leased	April 2016
Windsor, CA	Manufacturing, Warehousing and Offices	75,000	Leased	October 2017
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	70,000	Owned	N/A
Menominee, MI	Manufacturing, Warehousing and Offices	60,000	Owned	N/A
St. Louis, MO	Offices	46,900	Leased	August 2017
Bow, NH	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
Pembroke, NH	Warehousing	111,900	Leased	July 2024
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	138,900	Owned	N/A
Cookeville, TN	Manufacturing, Warehousing and Offices	90,000	Leased	March 2016
Smithville, TN	Manufacturing, Warehousing and Offices	268,000	Owned	N/A
Carrollton, TX	Manufacturing, Warehousing and Offices	132,400	Leased	August 2022
Burlington, VT	Manufacturing, Warehousing and Offices	135,400	Owned	N/A
Essex Junction, VT	Manufacturing, Warehousing and Offices	100,000	Leased	June 2024
Redmond, WA	Manufacturing, Warehousing and Offices	42,400	Leased	May 2022
New South Wales, Australia	Manufacturing, Warehousing and Offices	204,900	Owned	N/A
Qingdao, China	Manufacturing, Warehousing and Offices	5,200	Leased	May 2020
Shanghai, China	Manufacturing, Warehousing and Offices	74,000	Leased	April 2016
Randers, Denmark		79,400	Owned	N/A

Edgar Filing: MIDDLEBY CORP - Form 10-K

	Manufacturing, Warehousing and Offices			
Nusco, Italy	Manufacturing, Warehousing and Offices	24,200	Owned	N/A
Scandicco, Italy	Manufacturing, Warehousing and Offices	41,400	Leased	April 2025
Laguna, the Philippines	Manufacturing, Warehousing and Offices	109,900	Owned	N/A
Lincoln, the United Kingdom	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
Warwickshire, the United Kingdom	Manufacturing, Warehousing and Offices	12,000	Owned	N/A
Wrexham, the United Kingdom	Manufacturing, Warehousing and Offices	62,600	Owned	N/A
Food Processing:				
Gainesville, GA	Manufacturing, Warehousing and Offices	106,000	Owned	N/A
Chicago, IL	Manufacturing, Warehousing and Offices	64,400	Leased	December 2016
Algona, IA	Manufacturing, Warehousing and Offices	70,100	Owned	N/A
Clayton, NC	Manufacturing, Warehousing and Offices	65,300	Leased	October 2019
Plano, TX	Manufacturing, Warehousing and Offices	133,300	Leased	April 2022
Waynesboro, VA	Manufacturing, Warehousing and Offices	26,400	Owned	N/A
Waynesboro, VA	Manufacturing, Warehousing and Offices	11,500	Leased	July 2017
Lodi, WI	Manufacturing, Warehousing and Offices	114,600	Owned	N/A
Mauron, France	Manufacturing, Warehousing and Offices	98,000	Leased	April 2016
Reichenau, Germany	Manufacturing, Warehousing and Offices	57,900	Leased	December 2021
Norwich, the United Kingdom	Manufacturing, Warehousing and Offices	39,200	Owned	N/A

Location	Principal Function	Square Footage	Owned/Leased	Lease Expiration
Residential Kitchen: Baldwin Park, CA	Warehousing and Offices	61,400	Leased	April 2017
Downey, CA	Manufacturing, Warehousing and Offices	122,500	Leased	December 2019
Suwanne, GA	Warehousing and Offices	142,000	Leased	January 2018
Greenville, MI	Manufacturing, Warehousing and Offices	225,000	Owned	N/A
Greenwood, MS	Manufacturing, Warehousing and Offices *	738,000	Owned	N/A
Brown Deer, WI	Manufacturing, Warehousing and Offices	144,800	Leased	May 2017
Rosyl St Pierre, France	Manufacturing and Warehousing	40,900	Owned	N/A
Saint Ouen L'aumone, France	Manufacturing and Warehousing	30,400	Leased	April 2021
Saint Symphorien, France	Manufacturing and Warehousing	155,000	Owned	N/A
Waterford, Ireland	Manufacturing, Warehousing and Offices	55,000	Leased	July 2027
Adderbury, the United Kingdom	Warehousing and Offices	81,000	Leased	August 2020
Coalbrookdale, the United Kingdom	Manufacturing and Offices	153,100	Owned	N/A
Ketley, the United Kingdom	Manufacturing and Offices	217,300	Owned	N/A
Leamington Spa, the United Kingdom	Manufacturing and Offices	270,200	Owned	N/A
Leamington Spa, the United Kingdom	Warehousing and Offices	100,300	Leased	August 2019
Nottingham, the United Kingdom	Manufacturing and Offices	153,100	Owned	N/A
Gee Targu Mures, Romania	Manufacturing and Warehousing	48,000	Owned	N/A

\* Contains three separate manufacturing facilities.

At various other locations the company leases small amounts of office space for administrative, distribution and sales functions, and in certain instances limited short-term inventory storage. These locations are in Brazil, China, Czech Republic, Dubai, France, India, Italy, Mexico, Spain, the United Kingdom and various locations in the United States.

Management believes that these facilities are adequate for the operation of the company's business as presently conducted.

### Item 3. Legal Proceedings

The company is routinely involved in litigation incidental to its business, including product liability claims, which are partially covered by insurance or in certain cases by indemnification provisions under purchase agreements for recently acquired companies. Such routine claims are vigorously contested and management does not believe that the outcome of any such pending litigation will have a material effect upon the financial condition, results of operations or cash flows of the company.

Item 4. Mine Safety Issues

Not applicable.

20

---

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Principal Market

The company's Common Stock trades on the Nasdaq Global Market under the symbol "MIDD". The following table sets forth, for the periods indicated, the high and low closing sale prices per share of Common Stock, as reported by the Nasdaq Global Market.

	Closing Share Price	
	High	Low
Fiscal 2015		
First quarter	\$ 109.00	\$93.34
Second quarter	114.75	100.98
Third quarter	124.08	102.71
Fourth quarter	120.33	102.65
Fiscal 2014		
First quarter	\$99.92	\$79.30
Second quarter	91.37	72.52
Third quarter	91.85	71.77
Fourth quarter	99.93	79.66

## Shareholders

The company estimates there were approximately 78,742 record holders of the company's common stock as of February 29, 2016.

## Dividends

The company does not currently pay cash dividends on its common stock. Any future payment of cash dividends on the company's common stock will be at the discretion of the company's Board of Directors and will depend upon the company's results of operations, earnings, capital requirements, contractual restrictions and other factors deemed relevant by the Board of Directors. The company's Board of Directors currently intends to retain any future earnings to support its operations and to finance the growth and development of the company's business and does not intend to declare or pay cash dividends on its common stock for the foreseeable future. In addition, the company's revolving credit facility limits its ability to declare or pay dividends on its common stock.

## Issuer Purchases of Equity Securities

Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet be Purchased Under the Plan
---	------------------------------------	--	---

				or Program (1)
October 4 to October 31, 2015	—	\$—	—	2,610,047
November 1 to November 28, 2015	—	—	—	2,610,047
November 29 to January 2, 2016	—	—	—	2,610,047
Year ended January 2, 2016	—	\$—	—	2,610,047

(1) In July 1998, the company's Board of Directors adopted a stock repurchase program and subsequently authorized the purchase of common shares in open market purchases. During 2013, the company's Board of Directors authorized the purchase of additional common shares in open market purchases. As of January 2, 2016, the total number of shares authorized for repurchase under the program is 4,570,266. As of January 2, 2016, 1,960,219 shares had been purchased under the 1998 stock repurchase program. At January 2, 2016, the company had a total of 4,862,264 shares in treasury amounting to \$200.9 million.

In June 2014, the company's Board of Directors approved a three-for-one split of the company's common stock in the form of a stock dividend. The stock dividend was paid on June 27, 2014 to shareholders of record as of June 16, 2014. The company's stock began trading on a split-adjusted basis on June 27, 2014. The stock split effectively tripled the number of shares outstanding at June 27, 2014.

## Item 6. Selected Financial Data

(amounts in thousands, except per share data)

Fiscal Year Ended(1, 2)

	2015	2014	2013	2012	2011
<b>Income Statement Data:</b>					
Net sales	\$1,826,598	\$1,636,538	\$1,428,685	\$1,038,174	\$855,907
Cost of sales	1,120,093	995,953	878,674	635,185	511,770
Gross profit	706,505	640,585	550,011	402,989	344,137
Selling and distribution expenses	193,353	182,578	155,639	106,129	91,113
General and administrative expenses	181,795	157,016	140,809	108,776	104,314
Restructuring expenses	28,754	7,078	9,101	—	—
Gain on litigation settlement	—	(6,519)	) —	—	—
Income from operations	302,603	300,432	244,462	188,084	148,710
Net interest expense and deferred financing amortization, net	16,967	15,592	15,901	9,238	8,503
Other expense (income), net	4,469	4,050	2,780	4,406	(241)
Earnings before income taxes	281,167	280,790	225,781	174,440	140,448
Provision for income taxes	89,557	87,478	71,853	53,743	44,975
Net earnings	\$191,610	\$193,312	\$153,928	\$120,697	\$95,473
<b>Net earnings per share:</b>					
Basic	\$3.36	\$3.41	\$2.76	\$2.22	\$1.77
Diluted	\$3.36	\$3.40	\$2.74	\$2.20	\$1.75
<b>Weighted average number of shares outstanding:</b>					
Basic	56,951	56,764	55,831	54,377	53,993
Diluted	56,973	56,784	56,148	54,807	54,686
<b>Balance Sheet Data:</b>					
Working capital (3)	\$285,191	\$285,817	\$234,349	\$170,167	\$(182,234)
Total assets	2,761,151	2,066,131	1,819,206	1,244,280	1,146,512
Total debt	766,061	598,167	571,598	260,070	317,335
Stockholders' equity	1,166,830	1,006,760	838,347	650,027	510,969

(1) The company's fiscal year ends on the Saturday nearest to December 31.

(2) The company has acquired numerous businesses in the periods presented. Please see Footnote 2 in the Notes to Consolidated Financial Statements for further information.

(3) In 2011, the company's senior secured revolving credit line was classified as a current liability due to the maturity date being within twelve months of the financial statement date.



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

Special Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" subject to the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which could cause the company's actual results, performance or outcomes to differ materially from those expressed or implied in the forward-looking statements. The following are some of the important factors that could cause the company's actual results, performance or outcomes to differ materially from those discussed in the forward-looking statements:

- changing market conditions;
- volatility in earnings resulting from goodwill impairment losses, which may occur irregularly and in varying amounts;
- variability in financing costs;
- quarterly variations in operating results;
- dependence on key customers;
- risks associated with the company's foreign operations, including market acceptance and demand for the company's products and the company's ability to manage the risk associated with the exposure to foreign currency exchange rate fluctuations;
- the company's ability to protect its trademarks, copyrights and other intellectual property;
- the impact of competitive products and pricing;
- the state of the residential construction, housing and home improvement markets;
  
- the state of the credit markets, including mortgages, home equity loans and consumer credit;
  
- the company's ability to maintain and grow the Viking reputation and brand image;
  
- intense competition in the company's business segments including the impact of both new and established global competitors;
  
- unfavorable tax law changes and tax authority rulings;
  
- cybersecurity attacks and other breaches in security;
  
- the continued ability to realize profitable growth through the sourcing and completion of strategic acquisitions;
  
- the timely development and market acceptance of the company's products; and
- the availability and cost of raw materials.

The company cautions readers to carefully consider the statements set forth in the section entitled "Item 1A. Risk Factors" of this filing and discussion of risks included in the company's SEC filings.

NET SALES SUMMARY  
(dollars in thousands)

Fiscal Year Ended(1)	2015		2014		2013	
	Sales	Percent	Sales	Percent	Sales	Percent
Business Segments:						
Commercial Foodservice	\$1,121,046	61.4 %	\$1,041,228	63.6 %	\$895,494	62.7 %
Food Processing	297,712	16.3	322,783	19.7	301,522	21.1
Residential Kitchen	407,840	22.3	272,527	16.7	231,669	16.2
Total	\$1,826,598	100.0 %	\$1,636,538	100.0 %	\$1,428,685	100.0 %

(1)The company's fiscal year ends on the Saturday nearest to December 31.

## Results of Operations

The following table sets forth certain items in the consolidated statements of earnings as a percentage of net sales for the periods presented:

	Fiscal Year Ended(1)					
	2015		2014		2013	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	61.3		60.9		61.5	
Gross profit	38.7		39.1		38.5	
Selling, general and administrative expenses	20.6		20.7		20.8	
Restructuring expenses	1.6		0.4		0.6	
Gain on litigation settlement	—		(0.4	)	—	
Income from operations	16.5		18.4		17.1	
Interest expense and deferred financing amortization, net	0.9		1.0		1.1	
Other expense, net	0.2		0.3		0.2	
Earnings before income taxes	15.4		17.1		15.8	
Provision for income taxes	4.9		5.3		5.0	
Net earnings	10.5	%	11.8	%	10.8	%

(1)The company's fiscal year ends on the Saturday nearest to December 31.

## Fiscal Year Ended January 2, 2016 as Compared to January 3, 2015

Net sales. Net sales in fiscal 2015 increased by \$190.1 million or 11.6% to \$1,826.6 million as compared to \$1,636.5 million in fiscal 2014. The increase in net sales of \$231.3 million, or 14.1%, was attributable to acquisition growth, resulting from the fiscal 2014 acquisitions of PES, Concordia and U-Line and the fiscal 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Induc, Thurne, AGA and Lynx. Excluding acquisitions, net sales decreased \$41.2 million, or 2.5%, from the prior year. The impact of foreign exchange rates on foreign sales translated into U.S. Dollars for fiscal 2015 reduced net sales by approximately \$48.5 million or 3.0%. On a constant currency basis, organic sales growth amount to 0.4% for the year, including a net sales increase of 6.3% at the Commercial Foodservice Equipment Group, a net sales decrease of 8.3% at the Food Processing Equipment Group and a net sales decrease of 11.6% at the Residential Kitchen Equipment Group.

Net sales of the Commercial Foodservice Equipment Group increased by \$79.8 million or 7.7% to \$1,121.0 million in fiscal 2015, as compared to \$1,041.2 million in fiscal 2014. Net sales from the acquisitions of Concordia, Desmon, Goldstein Eswood, Marsal and Induc which were acquired on September 8, 2014, January 7, 2015, January 30, 2015, February 10, 2015 and May 30, 2015, respectively, accounted for an increase of \$42.3 million during fiscal 2015. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$37.5 million, or 3.6%, as compared to the prior year. On a constant currency basis, organic net sales increased 6.3% at the Commercial Foodservice Equipment Group. Domestically, the company realized a sales increase of \$59.0 million, or 8.1%, to \$783.8 million, as compared to \$724.8 million in the prior year. This includes an increase of \$11.4 million from recent acquisitions. Excluding the acquisitions, the net increase of \$47.6 million, or 6.6%, in domestic sales includes continued growth with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies. International sales increased \$20.8 million, or 6.6%, to \$337.2 million, as compared to \$316.4 million in the prior year. This includes the increase of \$30.9 million from the recent acquisitions, offset by \$28.2 million related to the unfavorable impact of exchange rates. The change in both domestic and international net sales also includes the favorable impact of increased prices over the prior year, which is estimated to have increased net sales by 2% to 3% as compared to the prior year.

Net sales of the Food Processing Equipment Group decreased by \$25.1 million or 7.8% to \$297.7 million in fiscal 2015, as compared to \$322.8 million in fiscal 2014. Net sales from the acquisitions of PES and Thurne which were acquired on March 31, 2014, and April 7, 2015, respectively, accounted for an increase of \$19.2 million. Excluding the impact of these acquisitions, net sales of the Food Processing Equipment Group decreased \$44.3 million, or 13.7%. On a constant currency basis, organic net sales decreased 8.3% at the Food Processing Equipment Group. Domestically, the company realized a sales increase of \$41.7 million, or 27.0%, to \$196.4 million, as compared to \$154.7 million in the prior year. This includes an increase of \$18.0 million from recent acquisitions. Excluding the acquisitions, the net increase of \$23.7 million, or 15.3%. International sales decreased \$66.8 million, or 39.7%, to \$101.3 million, as compared to \$168.1 million in the prior year. This includes the increase of \$1.2 million from the recent acquisitions. The decrease in sales reflects a \$17.4 million unfavorable impact of foreign exchange rates, challenging economic conditions in certain international markets and the timing of large orders associated with this business, impacting the growth in comparative periods. Although total net sales in this segment declined during the year, backlog increased to \$108.5 million at the end of fiscal 2015 from \$67.7 million at the end of fiscal 2014 as incoming orders exceeded shipments during the year due to the timing of certain large orders. Due to the nature of competitive bidding on large jobs and variability of equipment mix in comparison to the prior year, the impact of price changes are not estimated to be a significant or meaningful factor in the change in net sales from the prior year.



Net sales of the Residential Kitchen Equipment Group increased by \$135.3 million or 49.7% to \$407.8 million in fiscal 2015, as compared to \$272.5 million in fiscal 2014. Net sales from the acquisitions of U-Line, AGA and Lynx which were acquired on November 5, 2014, September 23, 2015 and December 15, 2015, respectively, accounted for an increase of \$169.8 million. Excluding the impact of these acquisitions, net sales of the Residential Kitchen Equipment Group decreased \$34.5 million, or 12.7%. On a constant currency basis, organic net sales decreased 11.6% at the Residential Kitchen Equipment Group. Domestically, the company also realized a sales increase of \$35.0 million, or 13.5%, to \$294.6 million, as compared to \$259.6 million in the prior year. This includes an increase of \$66.4 million from recent acquisitions. Excluding the acquisitions, the net sales decreased \$31.4 million, or 12.1%. International sales increased \$100.3 million, or 777.5%, to \$113.2 million, as compared to \$12.9 million in the prior year. This includes the increase of \$103.4 million from the recent acquisitions, offset by \$2.9 million related to the unfavorable impact of exchange rates. Organic sales growth for the year was adversely impacted by the announced recall of Viking product in 2015. Additionally, sales were impacted by the discontinuation of certain non-Viking manufactured products sold by the Distributors in 2014, resulting in comparatively lower sales in 2015 and lack of product availability related to the transition and initial production startup for a new line of Viking refrigeration in the first half of 2015. The net organic decrease in sales is net of price increases, which are estimated to have added approximately 2% to net sales in comparison to the prior year.

Gross profit. Gross profit increased by \$65.9 million to \$706.5 million in fiscal 2015 from \$640.6 million in fiscal 2014. The increase in the gross profit reflects the impact of increased acquisition sales, offset by the impact of foreign exchange rates, which reduced gross profit by \$13.8 million. Gross margin rate decreased from 39.1% in 2014 to 38.7% in 2015. The impact of increased selling prices net of higher input costs is not estimated to have a meaningful impact to the gross margin rate in comparison to the prior year.

Gross profit at the Commercial Foodservice Equipment Group increased by \$28.7 million, or 6.7%, to \$457.9 million in fiscal 2015 as compared to \$429.2 million in fiscal 2014. The gross margin rate declined to 40.8% as compared to 41.2% in the prior year. Gross profit from the acquisitions of Concordia, Desmon, Goldstein Eswood, Marsal and Induc accounted for approximately \$15.4 million of the increase in gross profit during fiscal 2015. Excluding the recent acquisitions, the gross profit increased by approximately \$13.3 million on the higher sales volumes. The gross margin rate was slightly less than the prior year reflecting the impact of sales mix, including the effect of lower margins at recent acquisitions.

Gross profit at the Food Processing Equipment Group decreased by \$6.0 million, or 4.9%, to \$116.1 million in fiscal 2015 as compared to \$122.1 million in fiscal 2014. The gross margin rate increased to 39.0% in fiscal 2015 as compared to 37.8% in fiscal 2014. Gross profit from the acquisitions of PES and Thurne accounted for approximately \$6.1 million of the increase in gross profit during fiscal 2015. Excluding the recent acquisitions, the gross profit decreased by approximately \$12.1 million on lower sales volumes. However, the gross margin rate improved as the company realized the favorable impact of ongoing integration initiatives related to recent acquisitions.

Gross profit at the Residential Kitchen Equipment Group increased by \$40.3 million, or 44.5%, to \$130.9 million in fiscal 2015 as compared to \$90.6 million in fiscal 2014. Gross profit from the acquisition of U-Line, AGA and Lynx accounted for approximately \$53.9 million of the increase in gross profit during fiscal 2015. Excluding the recent acquisitions, the gross profit decreased by approximately \$13.6 million on lower sales volumes offsetting price increases. The gross margin rate declined to 32.1% in fiscal 2015 as compared to 33.2% in fiscal 2014, due to the impact of lower gross margins at the recent acquisitions offsetting improved margins at Viking related to ongoing initiatives related to profitability improvement.

Selling, general and administrative expenses. Combined selling, general, and administrative expenses increased by \$63.8 million to \$404.0 million in fiscal 2015 from \$340.2 million in 2014. As a percentage of net sales, operating expenses amounted to 20.5% in fiscal 2015 and 20.8% in fiscal 2014, excluding restructuring charges and the prior year gain on patent litigation settlement.

Selling expenses increased \$10.8 million to \$193.4 million from \$182.6 million, reflecting an increase of \$27.8 million associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc, AGA and Lynx acquisitions. This increase was offset in part by the favorable impact of \$5.4 million in foreign currency translation, \$10.4 million in reduced compensation and commissions reflecting the impact of cost reduction initiatives implemented in 2014 and 2015 and \$3.5 million of lower advertising expense.

General and administrative expenses increased \$24.8 million to \$181.8 million from \$157.0 million, reflecting an increase of \$30.6 million associated with the Concordia, U-Line, Desmon, Goldstein Eswood, Thurne, Induc, AGA and Lynx acquisitions including \$7.8 million of non-cash intangible amortization expense and \$7.3 million related to AGA acquisition transaction costs. The increase was offset in part by the favorable impact of \$3.9 million in foreign currency translation and \$5.7 million in lower compensation costs.

Restructuring expenses increased \$21.7 million to \$28.8 million from \$7.1 million, reflecting restructuring costs of \$25.5 million at the Residential Kitchen Group related to the integration of the Viking Distributors acquired in 2013 and 2014 and cost reduction initiatives related to AGA primarily associated with headcount reductions. Additionally, restructuring charges increased \$3.3 million related to the consolidation of production facilities at the Food Processing Equipment Group and Commercial Foodservice Equipment Group. In the prior year period, restructuring charges of \$7.1 million were incurred associated with the reorganization of the Residential Kitchen Equipment Group.

In the prior year, the gain on patent litigation consisted of \$6.5 million of proceeds from a settlement related to a patent infringement matter.

Income from operations. Income from operations increased \$2.2 million to \$302.6 million in fiscal 2015 from \$300.4 million in fiscal 2014. The increase in operating income resulted from the increase in net sales and gross profit, offset in part by increased operating and restructuring expenses. Operating income as a percentage of net sales amounted to 16.5% in 2015 as compared to 18.4% in 2014. Excluding the impact of restructuring expenses and gain on litigation settlement, operating income as a percentage of net sales amounted to 18.1% in 2015 in comparison to 18.4% in 2014, reflecting a slight decline from lower operating margins on recent acquisitions.

Income from operations in 2015 included \$68.8 million of non-cash expenses, including \$25.5 million of depreciation expense, \$27.4 million of intangible amortization related to acquisitions and \$15.9 million of stock based compensation. This compares to \$56.8 million of non-cash expenses in the prior year, including \$15.5 million of depreciation expense, \$24.6 million of intangible amortization related to acquisitions, and \$16.7 million of stock based compensation costs.

Non-operating expenses. Non-operating expenses increased \$1.8 million to \$21.5 million in fiscal 2015 from \$19.7 million in fiscal 2014. Net interest expense increased \$1.4 million from \$15.6 million in fiscal 2014 to \$17.0 million in fiscal 2015 due to higher debt balances related to the funding of acquisitions. Other expense was \$4.5 million in fiscal 2015 as compared to \$4.1 million in fiscal 2014 primarily reflecting foreign exchange losses during the year.

Income taxes. A tax provision of \$89.6 million, at an effective rate of 31.9%, was recorded for fiscal 2015 as compared to \$87.5 million at an effective rate of 31.2%, in fiscal 2014. The current year effective tax rate is comprised of a 35.0% U.S. federal tax rate and 2.1% in U.S. state income taxes, 0.6% in other adjustments, net of 2.6% in U.S. domestic manufacturers deduction, 1.1% in permanent tax deductions and 2.1% in foreign rate differentials. In comparison to the prior year, the tax provision reflects a 0.7% higher effective rate impact mostly related to a decrease in permanent tax benefits and an increase in tax reserves.



Fiscal Year Ended January 3, 2015 as Compared to December 28, 2013

Net sales. Net sales in fiscal 2014 increased by \$207.8 million or 14.5% to \$1,636.5 million as compared to \$1,428.7 million in fiscal 2013. The increase in net sales of \$87.3 million, or 6.1%, was attributable to acquisition growth, resulting from the fiscal 2013 acquisitions of Celfrost and Wunder-Bar and the fiscal 2014 acquisitions of Market Forge, PES, Concordia and U-Line. Excluding acquisitions, net sales increased \$120.5 million, or 8.4%, from the prior year, reflecting a net sales increase of 8.9% at the Commercial Foodservice Equipment Group, 3.7% at the Food Processing Equipment Group and 12.8% at the Residential Kitchen Equipment Group.

Net sales of the Commercial Foodservice Equipment Group increased by \$145.7 million or 16.3% to \$1,041.2 million in fiscal 2014, as compared to \$895.5 million in fiscal 2013. Net sales from the acquisitions of Celfrost, Wunder-Bar, Market Forge and Concordia which were acquired on October 15, 2013, December 17, 2013, January 7, 2014 and September 8, 2014, respectively, accounted for an increase of \$66.2 million during fiscal 2014. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased \$79.5 million, or 8.9%, as compared to the prior year. International sales increased \$57.6 million, or 22.3%, to \$316.4 million, as compared to \$258.8 million in the prior year. This includes the increase of \$27.4 million from the recent acquisitions. Excluding acquisitions, the net increase of \$30.2 million, or 11.7%, in international sales reflects strong growth in emerging markets due to expansion of restaurant chains. Domestically, the company also realized a sales increase of \$88.1 million, or 13.8%, to \$724.8 million, as compared to \$636.7 million in the prior year. This includes an increase of \$38.8 million from recent acquisitions. Excluding the acquisitions, the net increase of \$49.3 million, or 7.7%, in domestic sales includes continued growth with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies.

Net sales of the Food Processing Equipment Group increased by \$21.3 million or 7.1% to \$322.8 million in fiscal 2014, as compared to \$301.5 million in fiscal 2013. Net sales from the acquisition of PES which was acquired on March 31, 2014, accounted for an increase of \$10.0 million. Excluding the impact of this acquisition, net sales of the Food Processing Equipment Group increased \$11.3 million, or 3.7%. The increase in sales reflects expansion of food processing operations to support growing global demand and initiatives to upgrade food processing operations to more efficient and cost effective equipment.

Net sales of the Residential Kitchen Equipment Group increased by \$40.8 million or 17.6% to \$272.5 million in fiscal 2014, as compared to \$231.7 million in fiscal 2013. Net sales from the acquisition of U-Line which was acquired on November 5, 2014, accounted for an increase of \$11.1 million. Excluding the impact of this acquisition, net sales of the Residential Kitchen Equipment Group increased \$29.7 million or 12.8%. Sales were favorably impacted by distributor acquisitions which included the additional sales markup on Viking product sales reported by the acquired distributors.

Gross profit. Gross profit increased by \$90.6 million to \$640.6 million in fiscal 2014 from \$550.0 million in fiscal 2013. The gross margin rate increased from 38.5% in 2013 to 39.1% in 2014. The net increase in the gross margin rate reflects the benefit of acquisition integration initiatives.

Gross profit at the Commercial Foodservice Equipment Group increased by \$56.7 million, or 15.2%, to \$429.2 million in fiscal 2014 as compared to \$372.5 million in fiscal 2013. The gross margin rate declined to 41.2% as compared to 41.6% in the prior year. Gross profit from the acquisitions of Celfrost, Wunder-Bar, Market Forge and Concordia accounted for approximately \$24.4 million of the increase in gross profit during fiscal 2014. Excluding the recent acquisitions, the gross profit increased by approximately \$32.3 million on the higher sales volumes.

Gross profit at the Food Processing Equipment Group increased by \$20.3 million, or 19.9%, to \$122.1 million in fiscal 2014 as compared to \$101.8 million in fiscal 2013. The gross margin rate increased to 37.8% in fiscal 2014 as compared to 33.8% in fiscal 2013. Gross profit from the acquisition of PES accounted for approximately \$4.8 million of the increase in gross profit during fiscal 2014. Excluding the recent acquisitions, the gross profit increased by approximately \$15.5 million as the company realized the favorable impact of ongoing integration initiatives from previously acquired companies.

Gross profit at the Residential Kitchen Equipment Group increased by \$12.0 million, or 15.3%, to \$90.6 million in fiscal 2014 as compared to \$78.6 million in fiscal 2013. The gross margin rate declined to 33.2% in fiscal 2014 as compared to 33.9% in fiscal 2013. Gross profit from the acquisition of U-Line accounted for approximately \$3.6 million of the increase in gross profit during fiscal 2014. Excluding the recent acquisitions, the gross profit increased by approximately \$8.4 million.

Selling, general and administrative expenses. Combined selling, general, and administrative expenses increased by \$34.7 million to \$340.2 million in fiscal 2014 from \$305.5 million in 2013. As a percentage of net sales, operating expenses amounted to 20.7% in fiscal 2014 and 21.4% in fiscal 2013.

Selling expenses increased \$27.0 million to \$182.6 million from \$155.6 million, reflecting an increase of \$7.3 million associated with the recently acquired Celfrost, Wunder-Bar, Market Forge, PES, Concordia and U-Line operations. Selling expenses also reflect higher costs at Viking associated with the acquisition and addition of distributor operations, which increased by approximately \$9.5 million. Additionally, expenses increased \$3.3 million related to increased commissions on higher sales volumes and \$4.2 million of increased compensation expenses related in part to investments in international sales organizations for the Residential Kitchen Equipment Group and Food Processing Equipment Group.

General and administrative expenses increased \$16.2 million to \$157.0 million from \$140.8 million, reflecting an increase of \$11.9 million associated with the recently acquired Celfrost, Wunder-Bar, Market Forge, PES, Concordia and U-Line operations including \$2.8 million of non-cash intangible amortization expense. General and administrative expenses also included an increase of \$3.7 million related to professional fees associated with acquisition related activities.

Restructuring expenses decreased \$2.0 million to \$7.1 million from \$9.1 million, related to acquisition integration initiatives pertaining to the Residential Kitchen Equipment Group.

The gain on litigation settlement of \$6.5 million represents the net proceeds from a settlement related to a patent infringement matter.

Income from operations. Income from operations increased \$55.9 million to \$300.4 million in fiscal 2014 from \$244.5 million in fiscal 2013. The increase in operating income resulted from the increase in net sales and gross profit. Operating income as a percentage of net sales increased to 18.4% in 2014 from 17.1% in 2013.

Income from operations in 2014 included \$56.8 million of non-cash expenses, including \$15.5 million of depreciation expense, \$24.6 million of intangible amortization related to acquisitions and \$16.7 million of stock based compensation. This compares to \$53.9 million of non-cash expenses in the prior year, including \$13.5 million of depreciation expense, \$28.5 million of intangible amortization related to acquisitions, and \$11.9 million of stock based compensation costs.

Non-operating expenses. Non-operating expenses increased \$1.0 million to \$19.7 million in fiscal 2014 from \$18.7 million in fiscal 2013. Net interest expense decreased \$0.3 million from \$15.9 million in fiscal 2013 to \$15.6 million in fiscal 2014 due to a reduced interest rate on the senior secured credit facility in 2014. Other expense was \$4.1 million in fiscal 2014 as compared to \$2.8 million in fiscal 2013 primarily reflecting foreign exchange losses during the year.

Income taxes. A tax provision of \$87.5 million, at an effective rate of 31.2%, was recorded for fiscal 2014 as compared to \$71.9 million at an effective rate of 31.8%, in fiscal 2013. The current year effective tax rate is comprised of a 35.0% U.S. federal tax rate and 2.2% in U.S. state income taxes, 0.2% in other adjustments, net of 2.3% in U.S. domestic manufacturers deductions, 2.0% in permanent tax deductions and 1.9% in foreign rate differentials. In comparison to the prior year, the tax provision reflects a lower effective rate impact related to decreased international tax provision resulting from increased earnings in lower rate jurisdictions and an increase in permanent tax benefits, which reduced the effective tax rate by 0.9% and 0.8%, respectively. The effective tax rate reflects a detriment from increased state tax provisions of 1.3%.

## Financial Condition and Liquidity

Total cash and cash equivalents increased by \$11.6 million to \$55.5 million at January 2, 2016 from \$43.9 million at January 3, 2015. Net borrowings increased to \$766.1 million at January 2, 2016, from \$598.2 million at January 3, 2015.

Operating activities. Net cash provided by operating activities before changes in assets and liabilities amounted to \$263.5 million as compared to \$266.6 million in the prior year. Adjustments to reconcile 2015 net earnings to operating cash flows before changes in assets and liabilities included \$25.5 million of depreciation and \$28.6 million of amortization, \$15.9 million of non-cash stock compensation expense and \$1.9 million of deferred tax provision.

Net cash provided by operating activities after changes in assets and liabilities amounted to \$249.6 million as compared to \$233.9 million in the prior year.

During fiscal 2015, net cash used to fund changes in assets and liabilities amounted to \$13.8 million. These changes included \$17.1 million and \$7.8 million in cash provided by reductions in accounts receivable and inventory, respectively, offset by \$5.7 million of cash used in connection with an increase in prepaid expenses and other assets, \$18.0 million of cash used in the reduction of accounts payable and \$15.1 million in the reduction of accrued expenses and other non-current liabilities. The reduction in accounts receivable reflects lower sales at the Food Processing Equipment Group and Residential Kitchen Equipment Group, in addition to lower receivables at AGA due to timing of shipments and collections. Reduction in inventories reflects lower amounts at the Residential Kitchen Equipment Group due to inventory reduction efforts related to the consolidation of acquired Viking distributors and integration initiatives at AGA. Accounts payable reduction reflects lower payables in connection with reduced inventory purchases and the timing of accounts payable payments related to AGA. The reduction of accrued expenses and other liabilities includes \$15.6 million in funding payments related to the AGA pension plan,

In connection with the company's acquisition activities during the year, the company added assets and liabilities from the opening balance sheets of the acquired businesses in its consolidated balance sheets and accordingly these amounts are not reflected in the net change in working capital.

Investing activities. During 2015, net cash used for investing activities amounted to \$371.0 million. This included \$339.8 million of the 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Thurne, Induc, AGA and Lynx, \$9.2 million related to contingent consideration payments from previous years' acquisitions and \$22.4 million of additions and upgrades of production equipment and manufacturing facilities.

Financing activities. Net cash flows provided by financing activities amounted to \$136.8 million in 2015. The company borrowed \$145.5 million under its \$1.0 billion revolving credit facility and repaid \$6.1 million under foreign borrowing facilities.

The company used \$4.8 million to repurchase 45,352 shares of its common stock that were surrendered to the company by employees in lieu of cash for payment for withholding taxes related to restricted stock vestings and stock option exercises that occurred during fiscal 2015.

The company realized a \$2.4 million of excess tax benefits associated with the vesting of restricted stock grants.

At January 2, 2016, the company was in compliance with all covenants pursuant to its borrowing agreements. Management believes that future cash flows from operating activities and borrowings from current lenders will provide the company with sufficient financial resources to meet its anticipated requirements for working capital, capital expenditures and debt amortization for the foreseeable future.



## Contractual Obligations

The company's contractual cash payment obligations are set forth below (dollars in thousands):

	Amounts Due Sellers From Acquisition	Debt	Estimated Interest on Debt	Operating Leases	Total Contractual Cash Obligations
Less than 1 year	\$6,508	\$32,059	\$22,055	\$24,493	\$85,115
1-3 years	3,521	733,417	16,233	32,460	785,631
4-5 years	2,742	204	104	22,331	25,381
After 5 years		381	4	26,159	26,544
	\$12,771	\$766,061	\$38,396	\$105,443	\$922,671

The company has obligations to make \$12.8 million of estimated contingent purchase price payments to the sellers of Spooner Vicars, Celfrost, PES, Desmon, Goldstein and Induc that were deferred in conjunction with the acquisitions.

As of January 2, 2016, the company had \$733.0 million outstanding under its revolving credit line as part of its senior credit agreement. The average interest rate on this debt amounted to 1.87% at January 2, 2016. This facility matures on August 7, 2017. As of January 2, 2016, the company also has \$32.8 million of debt outstanding under various foreign credit facilities. The estimated interest payments reflected in the table above assume that the level of debt and average interest rate on the company's revolving credit line under its senior credit agreement does not change until the facility reaches maturity in August 2017. The estimated payments also assume that relative to the company's foreign borrowings: all scheduled term loan payments are made; the level of borrowings does not change; and the average interest rates remain at their January 2, 2016 rates. Also reflected in the table above is \$1.0 million of payments to be made related to the company's interest rate swap agreements in 2016.

As indicated in Note 11 to the consolidated financial statements, the company's projected benefit obligation under its defined benefit plans exceeded the plans' assets by \$207.6 million at the end of 2015 as compared to \$21.1 million at the end of 2014. The unfunded benefit obligations were comprised of a \$18.9 million underfunding of the company's U.S. Plans and \$188.6 million underfunding of the company's Non-US plans. The company made minimum contributions required by the Employee Retirement Income Security Act of 1974 ("ERISA") of \$0.9 million and \$0.9 million in 2015 and 2014, respectively, to the company's U.S. plans. The company expects to continue to make minimum contributions to the U.S. plans as required by ERISA, of \$0.9 million in 2016. The company expects to contribute \$18.7 million to the Non-U.S. plans in 2016.

The company places purchase orders with its suppliers in the ordinary course of business. These purchase orders are generally to fulfill short-term manufacturing requirements of less than 90 days and most are cancelable with a restocking penalty. The company has no long-term purchase contracts or minimum purchase obligations with any supplier.

The company has no activities, obligations or exposures associated with off-balance sheet arrangements.

## Related Party Transactions

From January 4, 2015 through the date hereof, there were no transactions between the company, its directors and executive officers that are required to be disclosed pursuant to Item 404 of Regulation S-K, promulgated under the Securities and Exchange Act of 1934, as amended.



## Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, the company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions and any such differences could be material to our consolidated financial statements.

**Revenue Recognition.** At the Commercial Foodservice Equipment Group and the Residential Kitchen Equipment Group, the company recognizes revenue on the sale of its products where title transfers and when risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the Food Processing Equipment Group, the company enters into long-term sales contracts for certain products that are often significant relative to the business. Revenue under these long-term sales contracts is recognized using the percentage of completion method defined within ASC 605-35 "Construction-Type and Production-Type Contracts" due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements. Revenue for sales of products and services not covered by long-term sales contracts are recognized when risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

**Inventories.** Inventories are stated at the lower of cost or market using the first-in, first-out method for the majority of the company's inventories. The company evaluates the need to record valuation adjustments for inventory on a regular basis. The company's policy is to evaluate all inventories including raw material, work-in-process, finished goods, and spare parts. Inventory in excess of estimated usage requirements is written down to its estimated net realizable value. Inherent in the estimates of net realizable value are estimates related to our future manufacturing schedules, customer demand, possible alternative uses, and ultimate realization of potentially excess inventory.

**Goodwill and Other Intangibles.** The company's business acquisitions result in the recognition of goodwill and other intangible assets, which are a significant portion of the company's total assets. The company recognizes goodwill and other intangible assets under the guidance of ASC Topic 350-10, "Intangibles — Goodwill and Other." Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Identifiable intangible assets are recognized separately from goodwill and include trademarks and trade names, technology, customer relationships and other specifically identifiable assets. Trademarks and trade names are deemed to be indefinite-lived. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing. On an annual basis, or more frequently if triggering events occur, the company

compares the estimated fair value to the carrying value to determine if a potential goodwill impairment exists. If the fair value is less than its carrying value, an impairment loss, if any, is recorded for the difference between the implied fair value and the carrying value of goodwill. In estimating the fair value of specific intangible assets, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable transactions and other market data. There are inherent uncertainties related to these factors and management's judgment in applying them in the impairment tests of goodwill and other intangible assets.

Pension Benefits. The company provides pension benefits to certain employees and accounts for these benefits in accordance with ASC 715, Compensation-Retirement Benefits. For financial reporting purposes, long-term assumptions are developed through consultations with actuaries. Such assumptions include the expected long-term rate of return on plan assets, discount rates.

The amount of unrecognized actuarial gains and losses recognized in the current year's operations is based on amortizing the unrecognized gains or losses for each plan that exceed the larger of 10% of the projected benefit obligation or the fair value of plan assets, also known as the corridor. The amount of unrecognized gain or loss that exceeds the corridor is amortized over the average future service of the plan participants or the average life expectancy of inactive plan participants for plans where all or almost all of the plan participants are inactive. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligations and our future expense.

Income taxes. The company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. The company's deferred and other tax balances are based on management's interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Income tax expense and liabilities recognized by the company also reflect its best estimates and assumptions regarding, among other things, the level of future taxable income, the effect of the company's various tax planning strategies and uncertain tax positions. Future tax authority rulings and changes in tax laws, changes in projected levels of taxable income and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the company. The company follows the provisions under ASC 740-10-25 that provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date.

#### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changes the criteria for determining which disposals can be presented as discontinued operations and requires expanded disclosures. Under ASU No. 2014-08, a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2014. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This update amends the current guidance on revenue recognition related to contracts with customers. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015 the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, that is, for interim and annual periods beginning on or after December 15, 2016, but not earlier. The guidance can be applied using one of two retrospective application methods. The company is evaluating

the impact of adopting this new standard on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation". This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2015. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items". This update eliminates the concept of extraordinary items from the current guidance. This update is effective for annual and corresponding interim reporting periods beginning after December 15, 2015. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. Retrospective application is encouraged for all prior periods presented in the financial statements. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets". This ASU is intended to provide a practical expedient for the measurement date of defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not fall on a calendar month-end (e.g., companies with a 52/53-week fiscal year) to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year-end. The FASB also provided a similar practical expedient for interim remeasurements for significant events. This ASU requires perspective application and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest" which relates to the presentation of debt issuance costs. This standard clarifies the guidance set forth in FASB ASU 2015-03, which required that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the debt liability rather than as an asset. The new pronouncement clarifies that debt issuance costs related to line-of-credit arrangements could continue to be presented as an asset and be subsequently amortized over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The company is currently evaluating the impact the new standard will have on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations or cash flows.

In November 2015, the FASB issued ASU 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". The amendments in ASU 2015-17 simplify the accounting for, and presentation of, deferred taxes by eliminating the need to separately classify the current amount of deferred tax assets or liabilities. Instead, aggregated

deferred tax assets and liabilities are classified and reported as non-current assets or liabilities. The update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been issued. The company is currently evaluating the impact the new standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The amendments under this pronouncement will change the way all leases with a duration of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee's right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized like capital leases are under current accounting, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2018. The company is currently evaluating the impact this standard will have on its policies and procedures pertaining to its existing and future lease arrangements, disclosure requirements and on its consolidated financial statements.

#### Certain Risk Factors That May Affect Future Results

An investment in shares of the company's common stock involves risks. The company believes the risks and uncertainties described in "Item 1A. Risk Factors" and in "Special Note Regarding Forward-Looking Statements" are the material risks it faces. Additional risks and uncertainties not currently known to the company or that it currently deems immaterial may impair its business operations. If any of the risks identified in "Item 1A. Risk Factors" actually occurs, the company's business, results of operations and financial condition could be materially adversely affected, and the trading price of the company's common stock could decline.

## Item 7A. Quantitative and Qualitative Disclosure about Market Risk

## Interest Rate Risk

The company is exposed to market risk related to changes in interest rates. The following table summarizes the maturity of the company's debt obligations:

	Variable Rate Debt
2016	\$32,059
2017	733,315
2018	102
2019	102
2019 and thereafter	483
	\$766,061

On August 7, 2012, the company entered into a senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for \$1.0 billion of availability under a revolving credit line. As of January 2, 2016, the company had \$733.0 million of borrowings outstanding under this facility. The company also has \$6.9 million in outstanding letters of credit as of January 2, 2016, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was \$260.1 million at January 2, 2016.

At January 2, 2016, borrowings under the senior secured credit facility were assessed at an interest rate at 1.50% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At January 2, 2016, the average interest rate on the senior debt amounted to 1.87%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee, based upon the indebtedness ratio, is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of January 2, 2016.

In September 2015, the company completed its acquisition of Aga Rangemaster Group plc in the United Kingdom. At the time of acquisition, credit facilities denominated in British Pounds, Euro and U.S. dollars, were established to fund local working capital needs. At January 2, 2016, these credit facilities amounted to \$24.7 million in U.S. dollars. At January 2, 2016, the average interest rate assessed on these facilities was approximately 1.98%.

In addition, the company has other international credit facilities to fund working capital needs outside the United States and the United Kingdom. At January 2, 2016, these foreign credit facilities amounted to \$8.1 million in U.S. dollars with a weighted average interest rate of approximately 9.0%.



The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of January 2, 2016, the company had the following interest rate swaps in effect:

Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date
25,000,000	2.520	% 2/23/2011	2/23/2016
15,000,000	1.185	% 9/12/2011	9/12/2016
25,000,000	0.635	% 2/11/2013	8/11/2016
25,000,000	0.789	% 2/11/2013	3/11/2017
25,000,000	0.803	% 2/11/2013	5/11/2017
35,000,000	0.880	% 2/11/2013	7/11/2017
10,000,000	1.480	% 9/11/2013	7/11/2017
15,000,000	0.920	% 3/11/2014	7/11/2017
25,000,000	0.950	% 3/11/2014	7/11/2017

The senior revolving facility matures on August 7, 2017, and accordingly has been classified as a long-term liability on the consolidated balance sheet.

The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; and enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the Company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under the terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. The potential loss on fair value for the company's debt obligations from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows. At January 2, 2016, the company was in compliance with all covenants pursuant to its borrowing agreements.

#### Financing Derivative Instruments

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swap one-month LIBOR for fixed rates. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of January 2, 2016, the fair value of these instruments was a liability of \$0.4 million. The change in fair value of these swap agreements in fiscal 2015 was a gain of \$0.2 million, net of taxes. The potential net loss on fair value for such instruments from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows.

#### Foreign Exchange Derivative Financial Instruments

The company uses derivative financial instruments, principally foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The potential loss on fair value for such instruments from a hypothetical 10% adverse change in quoted foreign exchange rates would not have a material impact on the company's financial position, results of operations and cash flows.

The company accounts for its derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging." In accordance with ASC 815, these instruments are recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in the market value and the related foreign exchange gains and losses are recorded in the statement of earnings.

Item 8. Financial Statements and Supplementary Data

	Page
Report of Independent Registered Public Accounting Firm	<u>42</u>
Consolidated Balance Sheets	<u>44</u>
Consolidated Statements of Earnings	<u>45</u>
Consolidated Statements of Comprehensive Income	<u>46</u>
Consolidated Statements of Changes in Stockholders' Equity	<u>47</u>
Consolidated Statements of Cash Flows	<u>48</u>
Notes to Consolidated Financial Statements	<u>49</u>

The following consolidated financial statement schedule is included in response to Item 15

Schedule II - Valuation and Qualifying Accounts and Reserves	<u>95</u>
--	-----------

All other schedules for which provision is made to applicable regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

The Middleby Corporation and Subsidiaries

We have audited the Middleby Corporation and subsidiaries internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Middleby Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

As indicated in the Company's accompanying "Management's Report on Internal Control over Financial Reporting", management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Desmon, Goldstein Eswood, Thurne, Induc, AGA and Lynx which are included in the 2015 consolidated financial statements of the Middleby Corporation and subsidiaries and constituted 26.3% of total assets and 6.3% of net assets, respectively, as of January 2, 2016, and 8.9% of net sales and (5.8)% of net earnings, respectively, for the year then ended. Our audit of internal control over financial reporting of the Middleby Corporation and subsidiaries also did not include an evaluation of the internal control over financial reporting of Desmon, Goldstein Eswood, Thurne, Induc, AGA and Lynx.

In our opinion, the Middleby Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Middleby Corporation and subsidiaries as of January 2, 2016 and January 3, 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended January 2, 2016 of the Middleby Corporation and subsidiaries and our report dated March 2, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Chicago, Illinois  
March 2, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
The Middleby Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of the Middleby Corporation and subsidiaries as of January 2, 2016 and January 3, 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended January 2, 2016. Our audits also includes the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Middleby Corporation and subsidiaries at January 2, 2016 and January 3, 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 2, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Middleby Corporation and subsidiaries internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Chicago, Illinois  
March 2, 2016

## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

JANUARY 2, 2016 AND JANUARY 3, 2015

(amounts in thousands, except share data)

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$55,528	\$43,945
Accounts receivable, net	282,534	229,875
Inventories, net	354,150	255,776
Prepaid expenses and other	39,801	27,980
Prepaid taxes	11,426	5,538
Deferred taxes	51,723	51,017
Total current assets	795,162	614,131
Property, plant and equipment, net	199,750	129,697
Goodwill	983,339	808,491
Other intangibles, net	749,430	492,031
Long-term deferred tax assets	11,438	2,925
Other assets	22,032	18,856
Total assets	\$2,761,151	\$2,066,131
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$32,059	\$9,402
Accounts payable	157,758	98,327
Accrued expenses	320,154	220,585
Total current liabilities	509,971	328,314
Long-term debt	734,002	588,765
Long-term deferred tax liability	113,010	88,800
Accrued pension benefits	207,564	21,140
Other non-current liabilities	29,774	32,352
Stockholders' equity:		
Preferred stock, \$0.01 par value; none issued	—	—
Common stock, \$0.01 par value, 62,168,346 and 62,088,592 shares issued in 2015 and 2014, respectively	144	144
Paid-in capital	328,686	310,409
Treasury stock at cost; 4,862,264 and 4,816,912 shares in 2015 and 2014, respectively	(200,862 )	(196,026 )
Retained earnings	1,115,274	923,664
Accumulated other comprehensive loss	(76,412 )	(31,431 )
Total stockholders' equity	1,166,830	1,006,760
Total liabilities and stockholders' equity	\$2,761,151	\$2,066,131

The accompanying Notes to Consolidated Financial Statements



are an integral part of these consolidated financial statements.

44

---

## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015

AND DECEMBER 28, 2013

(amounts in thousands, except per share data)

	2015	2014	2013
Net sales	\$1,826,598	\$1,636,538	\$1,428,685
Cost of sales	1,120,093	995,953	878,674
Gross profit	706,505	640,585	550,011
Selling and distribution expenses	193,353	182,578	155,639
General and administrative expenses	181,795	157,016	140,809
Restructuring expenses	28,754	7,078	9,101
Gain on litigation settlement	—	(6,519)	) —
Income from operations	302,603	300,432	244,462
Interest expense and deferred financing amortization, net	16,967	15,592	15,901
Other expense, net	4,469	4,050	2,780
Earnings before income taxes	281,167	280,790	225,781
Provision for income taxes	89,557	87,478	71,853
Net earnings	\$191,610	\$193,312	\$153,928
Net earnings per share:			
Basic	\$3.36	\$3.41	\$2.76
Diluted	\$3.36	\$3.40	\$2.74
Weighted average number of shares			
Basic	56,951	56,764	55,831
Dilutive common stock equivalents	22	20	317
Diluted	56,973	56,784	56,148

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015  
 AND DECEMBER 28, 2013  
 (amounts in thousands)

	2015	2014	2013
Net earnings	\$ 191,610	\$ 193,312	\$ 153,928
Other comprehensive income:			
Foreign currency translation adjustments	(28,187	) (18,770	) (530
Pension liability adjustment, net of tax	(17,039	) (4,420	) 3,477
Unrealized gain on interest rate swaps, net of tax	245	394	817
Comprehensive income	\$ 146,629	\$ 170,516	\$ 157,692

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015  
AND DECEMBER 28, 2013  
(amounts in thousands)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, December 29, 2012	\$ 141	\$233,213	\$(147,352)	\$576,424	\$ (12,399 )	\$ 650,027
Net earnings	—	—	—	153,928	—	153,928
Currency translation adjustments	—	—	—	—	(530 )	(530 )
Change in unrecognized pension benefit costs, net of tax of \$(137)	—	—	—	—	3,477	3,477
Unrealized gain on interest rate swap, net of tax of \$(149)	—	—	—	—	817	817
Exercise of stock options	3	3,839	—	—	—	3,842
Stock compensation	—	11,862	—	—	—	11,862
Tax benefit on stock compensation	—	19,315	—	—	—	19,315
Purchase of treasury stock	—	—	(4,391 )	—	—	(4,391 )
Balance, December 28, 2013	\$ 144	\$268,229	\$(151,743)	\$730,352	\$ (8,635 )	\$ 838,347
Net earnings	—	—	—	193,312	—	193,312
Currency translation adjustments	—	—	—	—	(18,770 )	(18,770 )
Change in unrecognized pension benefit costs, net of tax of \$3,302	—	—	—	—	(4,420 )	(4,420 )
Unrealized gain on interest rate swap, net of tax of \$545	—	—	—	—	394	394
Stock compensation	—	16,690	—	—	—	16,690
Tax benefit on stock compensation	—	25,490	—	—	—	25,490
Purchase of treasury stock	—	—	(44,283 )	—	—	(44,283 )
Balance, January 3, 2015	\$ 144	\$310,409	\$(196,026)	\$923,664	\$ (31,431 )	\$ 1,006,760
Net earnings	—	—	—	191,610	—	191,610
Currency translation adjustments	—	—	—	—	(28,187 )	(28,187 )
Change in unrecognized pension benefit costs, net of tax of \$(3,740)	—	—	—	—	(17,039 )	(17,039 )
Unrealized gain on interest rate swap, net of tax of \$163	—	—	—	—	245	245
Stock compensation	—	15,863	—	—	—	15,863
Tax benefit on stock compensation	—	2,414	—	—	—	2,414
Purchase of treasury stock	—	—	(4,836 )	—	—	(4,836 )
Balance, January 2, 2016	\$ 144	\$328,686	\$(200,862)	\$1,115,274	\$ (76,412 )	\$ 1,166,830

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.



## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015  
 AND DECEMBER 28, 2013  
 (amounts in thousands)

	2015	2014	2013
Cash flows from operating activities—			
Net earnings	\$191,610	\$193,312	\$153,928
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	54,074	41,252	43,164
Non-cash share-based compensation	15,864	16,690	11,862
Deferred income taxes	1,919	15,341	(2,975)
Changes in assets and liabilities, net of acquisitions			
Accounts receivable, net	17,112	(20,577)	(17,524)
Inventories, net	7,826	(2,064)	(19,819)
Prepaid expenses and other assets	(5,685)	(384)	(7,768)
Accounts payable	(18,036)	(7,872)	(9,248)
Accrued expenses and other liabilities	(15,092)	(1,816)	(5,462)
Net cash provided by operating activities	249,592	233,882	146,158
Cash flows from investing activities—			
Additions to property and equipment	(22,362)	(13,143)	(14,640)
Sale of asset	—	—	7,000
Acquisitions, net of cash acquired	(348,625)	(219,915)	(466,550)
Net cash used in investing activities	(370,987)	(233,058)	(474,190)
Cash flows from financing activities—			
Net proceeds under revolving credit facilities	145,500	18,900	312,100
Net (repayments) proceeds under foreign bank loan	(6,058)	8,815	(632)
Net (repayments) proceeds under other debt arrangement	(262)	(35)	(32)
Repurchase of treasury stock	(4,836)	(44,283)	(4,391)
Excess tax benefit related to share-based compensation	2,414	25,490	19,315
Net proceeds from stock issuances	—	—	3,842
Net cash provided by financing activities	136,758	8,887	330,202
Effect of exchange rates on cash and cash equivalents	(3,780)	(2,660)	358
Changes in cash and cash equivalents—			
Net increase in cash and cash equivalents	11,583	7,051	2,528
Cash and cash equivalents at beginning of year	43,945	36,894	34,366
Cash and cash equivalents at end of year	\$55,528	\$43,945	\$36,894

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015

AND DECEMBER 28, 2013

(1) NATURE OF OPERATIONS

The Middleby Corporation (the "company") is engaged in the design, manufacture and sale of commercial foodservice, food processing equipment and residential kitchen equipment. The company manufactures and assembles this equipment at twenty-six U.S. and twenty-two international manufacturing facilities. The company operates in three business segments: 1) the Commercial Foodservice Equipment Group, 2) the Food Processing Equipment Group and 3) the Residential Kitchen Equipment Group.

The Commercial Foodservice Equipment Group has a broad portfolio of cooking and warming equipment, which enables it to serve virtually any cooking or warming application within a commercial kitchen or foodservice operation. This cooking and warming equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions. The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, warming equipment, heated cabinets, charbroilers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, professional refrigerators, coldrooms, ice machines, freezers and beverage dispensing equipment.

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity and greater throughput and reduced labor costs through automation. The products offered by this group include a wide array of cooking and baking solutions, including batch ovens, baking ovens, proofing ovens, conveyor ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as grinders, slicers, emulsifiers, mixers, blenders, battering equipment, breading equipment, water cutting systems, food presses, and forming equipment, as well as a variety of food safety, food handling, freezing and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

The Residential Kitchen Equipment Group has a broad portfolio of innovative and professional-style residential kitchen equipment. The products offered by this group include ranges, cookers, stoves, ovens, refrigerators, dishwashers, microwaves, cooktops, refrigerators, wine coolers, ice machines, warming equipment, ventilation equipment, ice machines and outdoor equipment.





## (2) ACQUISITIONS AND PURCHASE ACCOUNTING

The company operates in a highly fragmented industry and has completed numerous acquisitions over the past several years as a component of its growth strategy. The company has acquired industry leading brands and technologies to position itself as a leader in the commercial foodservice equipment, food processing equipment and residential kitchen equipment industries.

The company has accounted for all business combinations using the acquisition method to record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the financial statements. The results of operations are reflected in the consolidated financial statements of the company from the dates of acquisition.

## Viking

On December 31, 2012 (subsequent to the 2012 fiscal year end), the company completed its acquisition of all of the capital stock of Viking Range Corporation ("Viking"), a leading manufacturer of kitchen equipment for the residential market, for a purchase price of approximately \$361.7 million, net of cash acquired. During the third quarter of 2013, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$11.2 million.

The final allocation of cash paid for the Viking acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 31, 2012	Measurement Period Adjustments	(as adjusted) Dec 31, 2012	
Cash	\$6,900	\$(121	)	\$6,779
Current assets	40,794	(2,385	)	38,409
Property, plant and equipment	76,693	(20,446	)	56,247
Goodwill	144,833	(32,752	)	112,081
Other intangibles	152,500	44,500		197,000
Other assets	12,604	865		13,469
Current liabilities	(52,202	) (886	)	(53,088
Other non-current liabilities	(2,386	) (1	)	(2,387
Net assets acquired and liabilities assumed	\$379,736	\$(11,226	)	\$368,510

The goodwill and \$151.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350 "Intangibles - Goodwill and Other." Other intangibles also includes \$44.0 million allocated to customer relationships and \$2.0 million allocated to backlog which are being amortized over periods of 6 years and 3 months, respectively. Goodwill and other intangibles of Viking are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes. Certain acquired assets included in other assets were classified as held for sale at the date of acquisition and were sold during the second quarter of 2013.

Viking Distributors 2013

Subsequent to the acquisition of Viking, the company, through Viking, purchased certain assets of four of Viking's former distributors ("Viking Distributors 2013"). The aggregate purchase price of these transactions as of June 29, 2013 was approximately \$23.6 million. This included \$8.7 million in forgiveness of liabilities owed to Viking resulting from pre-existing relationships with Viking.

The final allocation of cash paid for the Viking Distributors 2013 is summarized as follows (in thousands):

	(as initially reported) Jun 29, 2013	Measurement Period Adjustments	(as adjusted) Jun 29, 2013
Current assets	\$21,390	\$(3,599)	\$17,791
Property, plant and equipment	1,318	—	1,318
Goodwill	1,709	3,599	5,308
Current liabilities	(804)	) —	(804)
Net assets acquired and liabilities assumed	\$23,613	\$—	\$23,613
Forgiveness of liabilities owed to Viking	(8,697)	) —	(8,697)
Consideration paid at closing	\$14,916	\$—	\$14,916

The goodwill is subject to the non-amortization provisions of ASC 350 and is allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

## Celfrost

On October 15, 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. ("Celfrost"), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately \$11.2 million. Additional deferred payments totaling \$0.8 million were made in the fourth quarter of 2014 and 2015, as provided for in the purchase agreement. Additional deferred payments of approximately \$0.3 million in aggregate are also due to the seller in equal installments on the second and third anniversary of the acquisition.

The final allocation of cash paid for the Celfrost acquisition is summarized as follows (in thousands):

	(as initially reported) Oct 15, 2013	Measurement Period Adjustments	(as adjusted) Oct 15, 2013	
Current assets	\$5,638	\$(124	)	\$5,514
Property, plant and equipment	182	—		182
Goodwill	5,943	1,718		7,661
Other intangibles	4,333	—		4,333
Other assets	4	—		4
Current liabilities	(3,979	) (1,594	)	(5,573
Other non-current liabilities	(875	) —		(875
Consideration paid at closing	\$11,246	\$—		\$11,246
Deferred payments	1,067	—		1,067
Net assets acquired and liabilities assumed	\$12,313	\$—		\$12,313

The goodwill and \$2.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$1.9 million allocated to customer relationships and \$0.1 million allocated to backlog which are being amortized over periods of 7 years and 3 months, respectively. Goodwill and other intangibles of Celfrost are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

## Wunder-Bar

On December 17, 2013, the company completed its acquisition of all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar") a leading manufacturer of beverage dispensing systems for the commercial foodservice industry, for a purchase price of approximately \$74.1 million, net of cash acquired. During the third quarter of 2014, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.1 million. In 2014, the company purchased additional assets related to Wunder-Bar for approximately \$0.8 million. An additional deferred payment of \$0.6 million is also payable to the seller pursuant to the purchase agreement.

The final allocation of cash paid for the Wunder-Bar acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 17, 2013	Measurement Period Adjustments	(as adjusted) Dec 17, 2013	
Cash	\$857	\$—	\$857	
Current deferred tax asset	50	188	238	
Current assets	13,127	656	13,783	
Property, plant and equipment	1,735	(312	) 1,423	
Goodwill	45,056	(3,251	) 41,805	
Other intangibles	30,000	3,060	33,060	
Other assets	—	290	290	
Current liabilities	(5,013	) 865	(4,148	)
Long-term deferred tax liability	(10,811	) (1,280	) (12,091	)
Other non-current liabilities	(1	) (365	) (366	)
Consideration paid at closing	\$75,000	\$(149	) \$74,851	
Additional assets acquired post closing	—	848	848	
Deferred payments	—	586	586	
Net assets acquired and liabilities assumed	\$75,000	\$1,285	\$76,285	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.2 million and \$12.1 million, respectively. These net assets are comprised of \$0.2 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$12.1 million of deferred tax liabilities related to difference between the book and tax basis of identifiable intangible assets.

The goodwill and \$12.7 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$20.2 million allocated to customer relationships and \$0.2 million allocated to backlog which are to be amortized over a period of 14 years and 3 months, respectively. Goodwill and other intangibles of Wunder-Bar are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

## Market Forge

On January 7, 2014, the company completed its acquisition of certain assets of Market Forge Industries, Inc. (“Market Forge”), a leading manufacturer of steam cooking equipment for the commercial foodservice industry, for a purchase price of approximately \$7.0 million. During the first quarter of 2014, the company finalized the working capital provision provided for by the purchase agreement resulting in an additional payment to the seller of \$0.2 million. Additional deferred payments of \$3.0 million in aggregate were paid to the seller during the second and third quarters of 2014. An additional contingent payment of \$1.5 million was paid to the seller during the first quarter of 2015 upon the achievement of certain financial targets for the fiscal year 2014.

The final allocation of cash paid for the Market Forge acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 7, 2014	Measurement Period Adjustments	(as adjusted) Jan 7, 2014
Current assets	\$2,051	\$(100)	\$1,951
Property, plant and equipment	120	—	120
Goodwill	5,252	654	5,906
Other intangibles	4,191	—	4,191
Current liabilities	(4,374)	) (554)	) (4,928)
Consideration paid at closing	\$7,240	\$—	\$7,240
Deferred payments	3,000	—	3,000
Contingent consideration	1,374	126	1,500
Net assets acquired and liabilities assumed	\$11,614	\$126	\$11,740

The goodwill and \$2.9 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$1.1 million allocated to customer relationships, \$0.2 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Market Forge are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

## Viking Distributors 2014

The company, through Viking, purchased certain assets of two of Viking's former distributors ("Viking Distributors 2014"). The aggregate purchase price of these transactions as of January 31, 2014 was approximately \$44.5 million. This included \$6.0 million in forgiveness of liabilities owed to Viking resulting from pre-existing relationships with Viking.

The final allocation of cash paid for the Viking Distributors 2014 acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 31, 2014	Measurement Period Adjustments	(as adjusted) Jan 31, 2014		
Current assets	\$35,909	\$(8,101	)	\$27,808	
Property, plant and equipment	2,000	(291	)	1,709	
Goodwill	7,552	8,647		16,199	
Current liabilities	(1,005	) (255	)	(1,260	)
Net assets acquired and liabilities assumed	\$44,456	\$—		\$44,456	
Forgiveness of liabilities owed to Viking	(5,971	) —		(5,971	)
Consideration paid at closing	\$38,485	\$—		\$38,485	

The goodwill is subject to the non-amortization provisions of ASC 350 and is allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

## Processing Equipment Solutions

On March 31, 2014, the company completed its acquisition of substantially all of the assets of Processing Equipment Solutions, Inc. ("PES"), a leading manufacturer of water jet cutting equipment for the food processing industry, for a purchase price of approximately \$15.0 million. An additional payment is also due upon the achievement of certain financial targets. During the third quarter of 2014, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the original purchase price.

The final allocation of cash paid for the PES acquisition is summarized as follows (in thousands):

	(as initially reported) Mar 31, 2014	Measurement Period Adjustments	(as adjusted) Mar 31, 2014	
Current assets	\$2,211	\$(153	) \$2,058	
Property, plant and equipment	3,493	—	3,493	
Goodwill	10,792	332	11,124	
Other intangibles	1,600	18	1,618	
Other assets	21	(21	) —	
Current liabilities	(816	) —	(816	)
Consideration paid at closing	\$15,000	\$—	\$15,000	
Contingent consideration	2,301	176	2,477	
Net assets acquired and liabilities assumed	\$17,301	\$176	\$17,477	

The goodwill is subject to the non-amortization provisions of ASC 350. Other intangibles includes \$1.0 million allocated to customer relationships, \$0.6 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are being amortized over periods of 5 years, 5 years and 3 months, respectively. Goodwill and other intangibles of PES are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The PES purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of 2017 if PES exceeds certain sales targets for fiscal 2014, 2015 and 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$2.5 million.

## Concordia

On September 8, 2014, the company completed its acquisition of all of the capital stock of Concordia Coffee Company, Inc. ("Concordia"), a leading manufacturer of automated and self-service coffee and espresso machines for the commercial foodservice industry, for a purchase price of approximately \$12.5 million, net of cash acquired. An additional payment is also due upon the achievement of certain financial targets. During the first quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.1 million.

The final allocation of cash paid for the Concordia acquisition is summarized as follows (in thousands):

	(as initially reported) Sep 8, 2014	Measurement Period Adjustments	(as adjusted) Sep 8, 2014	
Cash	\$345	\$—	\$345	
Current deferred tax asset	—	726	726	
Current assets	3,767	(497	) 3,270	
Goodwill	11,255	(5,720	) 5,535	
Other intangibles	4,500	(1,200	) 3,300	
Long-term deferred tax asset	—	3,264	3,264	
Current liabilities	(2,296	) (842	) (3,138	)
Other non-current liabilities	(4,710	) 4,189	(521	)
Consideration paid at closing	\$12,861	\$(80	) \$12,781	
Contingent consideration	4,710	(4,189	) 521	
Net assets acquired and liabilities assumed	\$17,571	\$(4,269	) \$13,302	

The current and long term deferred tax assets amounted to \$0.7 million and \$3.3 million, respectively. These net assets are comprised of \$4.1 million related to federal net operating loss carry forwards, \$1.1 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$1.2 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets. Federal net operating loss carry forwards are subject to carry forward limitations for income tax purposes.

The goodwill and \$1.1 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles includes \$2.2 million allocated to customer relationships, which is being amortized over a period of 10 years. Goodwill and other intangibles of Concordia are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The Concordia purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of 2017 if Concordia exceeds certain sales targets for fiscal 2015 and 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$0.5 million.



## U-Line

On November 5, 2014, the company completed its acquisition of all of the capital stock of U-Line Corporation ("U-Line"), a leading manufacturer of premium residential built-in modular ice making, refrigeration and wine preservation products for the residential industry, for a purchase price of approximately \$142.0 million, net of cash acquired. During the first quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.3 million.

The final allocation of cash paid for the U-Line acquisition is summarized as follows (in thousands):

	(as initially reported) Nov 5, 2014	Measurement Period Adjustments	(as adjusted) Nov 5, 2014	
Cash	\$12,764	\$—	\$12,764	
Current deferred tax asset	657	114	771	
Current assets	12,237	—	12,237	
Property, plant and equipment	3,376	—	3,376	
Goodwill	89,501	(8,000	) 81,501	
Other intangibles	57,500	17,700	75,200	
Current liabilities	(6,032	) (1,973	) (8,005	)
Long-term deferred tax liability	(13,095	) (4,657	) (17,752	)
Other non-current liabilities	(2,111	) (3,459	) (5,570	)
Net assets acquired and liabilities assumed	\$154,797	\$(275	) \$154,522	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.8 million and \$17.8 million, respectively. These net assets are comprised of \$5.7 million related to federal and state net operating loss carry forwards, \$1.5 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$24.2 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets. Federal and state net operating loss carry forwards are subject to carry forward limitations for income tax purposes.

The goodwill and \$52.7 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles includes \$20.7 million allocated to customer relationships and \$1.8 million allocated to backlog, which are being amortized over a period of 6 years and 5 months, respectively. Goodwill and other intangibles of U-Line are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

## Desmon

On January 7, 2015, the company completed its acquisition of all of the capital stock of Desmon Food Service Equipment Company ("Desmon"), a leading manufacturer of blast chillers and refrigeration for the commercial foodservice industry located in Nusco, Italy, for a purchase price of approximately \$13.5 million, net of cash acquired. An additional payment is also due upon the achievement of certain financial targets. During the fourth quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of \$0.4 million.

The final allocation of cash paid for the Desmon acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 7, 2015	Measurement Period Adjustments	(as adjusted) Jan 7, 2015	
Cash	\$441	\$(12	)	\$429
Current deferred tax asset	535	—		535
Current assets	8,639	(1,105	)	7,534
Property, plant and equipment	7,989	—		7,989
Goodwill	7,175	53		7,228
Other intangibles	3,129	(899	)	2,230
Current liabilities	(8,668	)	998	(7,670
Long-term deferred tax liability	(2,389	)	282	(2,107
Other non-current liabilities	(2,463	)	269	(2,194
Consideration paid at closing	\$14,388	\$(414	)	\$13,974
Contingent consideration	2,416	(269	)	2,147
Net assets acquired and liabilities assumed	\$16,804	\$(683	)	\$16,121

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.5 million and \$2.1 million, respectively. These net liabilities are comprised of \$0.7 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets, \$1.1 million of liabilities arising from the difference between the book and tax basis of tangible asset and liability accounts, net of \$0.2 million of assets related to foreign net operating loss carry forwards.

The goodwill and \$1.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.6 million allocated to customer relationships and \$0.3 million allocated to developed technology, which are to be amortized over periods of 9 years and 7 years, respectively. Goodwill and other intangibles of Desmon are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The Desmon purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the second quarter of each of the fiscal years 2016, 2017 and 2018, respectively, if Desmon exceeds certain sales targets for fiscal 2015, 2016 and 2017, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$2.1 million.

## Goldstein Eswood

On January 30, 2015, the company completed its acquisition of substantially all of the assets of J. Goldstein & Co. Pty. Ltd. ("Goldstein") and Eswood Australia Pty. Ltd. ("Eswood" and together with Goldstein, "Goldstein Eswood") for a purchase price of approximately \$27.4 million. Goldstein is a leading manufacturer of cooking equipment including ranges, ovens, griddles, fryers and warming equipment and Eswood is a leading manufacturer of dishwashing equipment, both for the commercial foodservice industry and located in Smithfield, Australia. An additional payment is also due upon the achievement of certain financial targets. During the third quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the original purchase price.

The final allocation of cash paid for the Goldstein acquisition is summarized as follows (in thousands):

	(as initially reported) Jan 30, 2015	Measurement Period Adjustments	(as adjusted) Jan 30, 2015	
Current assets	\$8,036	\$—	\$8,036	
Property, plant and equipment	8,690	—	8,690	
Goodwill	8,493	(2,727	) 5,766	
Other intangibles	5,648	3,113	8,761	
Current liabilities	(1,806	) (202	) (2,008	)
Other non-current liabilities	(1,655	) (184	) (1,839	)
Consideration paid at closing	\$27,406	\$—	\$27,406	
Contingent consideration	1,655	183	1,838	
Net assets acquired and liabilities assumed	\$29,061	\$183	\$29,244	

The goodwill and \$2.8 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$5.9 million allocated to customer relationships, and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 7 years and 3 months, respectively.

Goodwill and other intangibles of Goldstein Eswood are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Goldstein Eswood purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the second quarter of each of the fiscal years 2016 and 2017, respectively, if Goldstein Eswood exceeds certain sales targets for fiscal 2015 and 2016, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$1.8 million.

## Marsal

On February 10, 2015, the company completed its acquisition of certain assets of Marsal & Sons, Inc. ("Marsal"), a leading manufacturer of deck ovens for the commercial foodservice industry, for a purchase price of approximately \$5.5 million. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. During the second quarter of 2015, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the purchase price.

The final allocation of cash paid for the Marsal acquisition is summarized as follows (in thousands) :

	(as initially reported) Feb 10, 2015	Measurement Period Adjustments	(as adjusted) Feb 10, 2015
Current assets	\$455	\$—	\$455
Property, plant and equipment	201	(6	) 195
Goodwill	3,012	6	3,018
Other intangibles	2,027	—	2,027
Current liabilities	(195	) —	(195
Net assets acquired and liabilities assumed	\$5,500	\$—	\$5,500

The goodwill and \$1.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.5 million allocated to customer relationships, \$0.1 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 5 years and 3 months, respectively. Goodwill and other intangibles of Marsal are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

## Thurne

On April 7, 2015, the company completed its acquisition of certain assets of the High Speed Slicing business unit of Marel ("Thurne"), a leading manufacturer of slicing equipment for the food processing industry located in Norwich, United Kingdom, for a purchase price of approximately \$12.6 million. During the second quarter of 2015, the company finalized the working capital provision provided for by the purchase agreement resulting in a refund from the seller of \$2.7 million.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Apr 7, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Apr 7, 2015
Current assets	\$3,419	\$(275	) \$3,144
Property, plant and equipment	3,334	—	3,334
Goodwill	609	2,378	2,987
Other intangibles	3,625	(2,024	) 1,601
Current liabilities	(1,115	) —	(1,115
Net assets acquired and liabilities assumed	\$9,872	\$79	\$9,951

The goodwill and \$0.4 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.6 million allocated to customer relationships, \$0.6 million allocated to developed technology and less than \$0.1 million allocated to backlog, which are to be amortized over periods of 9 years, 7 years, and 3 months, respectively. Goodwill and other intangibles of Thurne are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

## Induc

On May 30, 2015, the company completed its acquisition of certain assets of the Induc Commercial Electronics Co. Ltd. ("Induc"), a leading manufacturer of induction cooking equipment for the commercial foodservice industry located in Qingdao, China, for a purchase price of approximately \$10.6 million. An additional deferred payment of approximately \$1.4 million is also due to the seller on the second anniversary of the acquisition. An additional payment is also due upon the achievement of certain financial targets. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. The company expects to finalize this in the first quarter of 2016.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) May 30, 2015	Preliminary Measurement Period Adjustments	(as adjusted) May 30, 2015	
Current assets	\$1,705	\$(342	) \$1,363	
Property, plant and equipment	536	255	791	
Goodwill	13,496	(476	) 13,020	
Other intangibles	1,500	(300	) 1,200	
Other assets	32	(32	) —	
Current liabilities	(854	) 854	—	
Other non-current liabilities	(5,793	) 41	(5,752	)
Consideration paid at closing	\$10,622	\$—	\$10,622	
Deferred payment	1,516	(125	) 1,391	
Contingent consideration	4,276	84	4,360	
Net assets acquired and liabilities assumed	\$16,414	\$(41	) \$16,373	

The goodwill and \$0.5 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$0.7 million allocated to customer relationships, which is to be amortized over a period of 9 years, Goodwill and other intangibles of Induc are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Induc purchase agreement includes an earnout provision providing for a contingent payment due to the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of each of the fiscal years 2018, 2019 and 2020, respectively, if Induc exceeds certain sales and earnings targets for fiscal 2017, 2018 and 2019, respectively. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is \$4.4 million.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

## AGA

On September 23, 2015, the company completed its acquisition of all of the capital stock of AGA Rangemaster Group plc ("AGA") a leading manufacturer of residential kitchen equipment including cookers, ranges, ovens and refrigeration for a purchase price of approximately \$184.7 million, net of cash acquired. AGA is headquartered in Leamington Spa, United Kingdom. Additionally, the company incurred \$7.3 million of transaction expenses, which are reflected in the general and administrative expenses in the consolidated statements of earnings for such period. During the fourth quarter of 2015, the company completed the purchase of the minority interest of an AGA subsidiary for approximately \$4.3 million.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Sep 23, 2015	Preliminary Measurement Period Adjustments	(as adjusted) Sep 23, 2015	
Cash	\$15,316	\$984	\$16,300	
Current assets	163,216	(9,723	) 153,493	
Property, plant and equipment	61,423	(2,688	) 58,735	
Goodwill	144,645	(20,373	) 124,272	
Other intangibles	190,000	30,000	220,000	
Deferred tax asset	5,306	(5,306	) —	
Other assets	1,573	289	1,862	
Current portion long-term debt	(30,703	) —	(30,703	)
Current liabilities	(147,279	) (5,726	) (153,005	)
Long term debt	(138	) —	(138	)
Long-term deferred tax liability	—	(143	) (143	)
Other non-current liabilities	(202,312	) 12,686	(189,626	)
Net assets acquired and liabilities assumed	\$201,047	\$—	\$201,047	

The long-term deferred tax liabilities amounted to \$0.1 million. These net liabilities are comprised of \$33.6 million of assets related to pension liabilities, \$0.9 million of assets related to foreign net operating loss, \$1.7 million of assets related to federal net operating loss carry forwards and \$5.2 million of assets related to the difference between the book and tax basis of tangible assets and liability accounts, net of \$41.5 million of deferred tax liabilities related to the difference between the book and tax basis of identifiable intangible assets. Net operating loss carryforwards are subject to carryforward limitations.

The goodwill and \$145.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$75.0 million allocated to customer relationships, which is to be amortized over a period of 8 years. Goodwill and other intangibles of AGA are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The company estimated the fair value of the assets and liabilities of AGA on a preliminary basis at the time of acquisition based on third-party appraisals used to assist in determining the fair market value for acquired tangible and intangible assets. Changes to these allocations will occur as additional information becomes available. The company is in the process of obtaining third-party valuations related to the fair value of tangible and intangible assets, in addition to determining and recording the tax effects of the transaction to include all assets/liabilities since those are recorded at fair value. Acquired goodwill represents the premium paid over the fair value of assets acquired and liabilities assumed.





## Lynx

On December 15, 2015, the company completed its acquisition of all of the capital stock of Lynx Grills, Inc. ("Lynx"), a leading manufacturer of premium residential outdoor equipment located in Downey, California, for a purchase price of approximately \$83.8 million, net of cash acquired. The purchase price is subject to adjustment based upon a working capital provision provided by the purchase agreement. The company expects to finalize this in the second quarter of 2016.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Dec 15, 2015	
Cash	\$276	
Current deferred tax asset	467	
Current assets	18,630	
Property, plant and equipment	1,690	
Goodwill	42,502	
Other intangibles	39,800	
Other assets	130	
Current liabilities	(6,208	)
Long term deferred tax liability	(12,589	)
Other non-current liabilities	(666	)
Net assets acquired and liabilities assumed	\$84,032	

The current deferred tax assets and long term deferred tax liabilities amounted to \$0.5 million and \$12.6 million, respectively. These net liabilities are comprised of \$14.0 million of deferred tax liabilities related to the difference between book and tax basis of identifiable intangible assets, net of \$1.6 million related to federal and state net operating loss carryforwards and \$0.3 million of assets arising from the difference between the book and tax basis of tangible assets and liability accounts. Federal and state net operating loss carryforwards are subject to carryforward limitations.

The goodwill and \$30.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes \$9.0 million allocated to customer relationships and \$0.8 million allocated to backlog, which is to be amortized over a period of 5 years and 3 months respectively. Goodwill and other intangibles of Lynx are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

## Pro forma financial information

In accordance with ASC 805 “Business Combinations”, the following unaudited pro forma results of operations for the years ended January 2, 2016 and January 3, 2015, assumes the 2015 acquisitions of Desmon, Goldstein Eswood, Marsal, Induc, Thurne, AGA and Lynx and the 2014 acquisitions of PES, Concordia and U-Line were completed on December 29, 2013 (first day of fiscal 2014). The following pro forma results include adjustments to reflect additional interest expense to fund the acquisition, amortization of intangibles associated with the acquisition, and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	January 2, 2016	January 3, 2015
Net sales	\$2,157,396	\$1,863,518
Net earnings	185,624	201,366
Net earnings per share:		
Basic	3.26	3.55
Diluted	3.26	3.55

The supplemental pro forma financial information presented above has been prepared for comparative purposes and is not necessarily indicative of either the results of operations that would have occurred had the acquisitions of these companies been effective on December 29, 2013, nor are they indicative of any future results. Also, the pro forma financial information does not reflect the costs which the company has incurred or may incur to integrate PES, Concordia, U-Line, Desmon, Marsal, Goldstein Eswood, Thurne, Induc, AGA and Lynx.

(3) STOCK SPLIT

In June 2014, the company's Board of Directors approved a three-for-one split of the company's common stock in the form of a stock dividend. The stock dividend was paid on June 27, 2014 to shareholders of record as of June 16, 2014. The company's stock began trading on a split-adjusted basis on June 27, 2014. The stock split effectively tripled the number of shares outstanding at June 27, 2014. All references in the accompanying condensed consolidated financial statements and notes thereto to net earnings per share and the number of shares have been adjusted to reflect this stock split.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. Significant items that are subject to such estimates and judgments include allowances for doubtful accounts, reserves for excess and obsolete inventories, long-lived and intangible assets, warranty reserves, insurance reserves, income tax reserves and post-retirement obligations. On an ongoing basis, the company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The company's fiscal year ends on the Saturday nearest December 31. Fiscal years 2015, 2014, and 2013 ended on January 2, 2016, January 3, 2015 and December 28, 2013, respectively, and included 52, 53 and 52 weeks, respectively.

Certain prior year amounts have been reclassified to be consistent with current year presentation, including restructuring expenses previously classified in general and administrative expenses.

(b) Cash and Cash Equivalents

The company considers all short-term investments with original maturities of three months or less when acquired to be cash equivalents. The company's policy is to invest its excess cash in interest-bearing deposits with major banks that are subject to minimal credit and market risk.

(c) Accounts Receivable

Accounts receivable, as shown in the consolidated balance sheets, are net of allowances for doubtful accounts of \$8.8 million and \$9.1 million at January 2, 2016 and January 3, 2015, respectively. At January 2, 2016, all accounts receivable are expected to be collected within one year.



## (d) Inventories

Inventories are composed of material, labor and overhead and are stated at the lower of cost or market. Costs for inventories at two of the company's manufacturing facilities have been determined using the last-in, first-out ("LIFO") method. These inventories under the LIFO method amounted to \$35.6 million in 2015 and \$30.2 million in 2014 and represented approximately 10.1% and 11.8% of the total inventory in each respective year. The amount of LIFO reserve at January 2, 2016 and January 3, 2015 was not material. Costs for all other inventory have been determined using the first-in, first-out ("FIFO") method. The company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at January 2, 2016 and January 3, 2015 are as follows:

	2015	2014
	(dollars in thousands)	
Raw materials and parts	\$180,262	\$126,121
Work in process	34,771	17,828
Finished goods	139,117	111,827
	\$354,150	\$255,776

## (e) Property, Plant and Equipment

Property, plant and equipment are carried at cost as follows:

	2015	2014
	(dollars in thousands)	
Land	\$18,401	\$10,642
Building and improvements	108,210	84,777
Furniture and fixtures	52,738	28,597
Machinery and equipment	120,746	88,679
	300,095	212,695
Less accumulated depreciation	(100,345)	(82,998)
	\$199,750	\$129,697

Property, plant and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment or if technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Following is a summary of the estimated useful lives:

Description	Life
Building and improvements	20 to 40 years
Furniture and fixtures	3 to 7 years
Machinery and equipment	3 to 10 years

Depreciation expense amounted to \$25.5 million, \$15.5 million and \$13.5 million in fiscal 2015, 2014 and 2013, respectively.

Expenditures which significantly extend useful lives are capitalized. Maintenance and repairs are charged to expense as incurred. Asset impairments are recorded whenever events or changes in circumstances indicate that the recorded value of an asset is greater than the sum of its expected future undiscounted cash flows.

## (f) Goodwill and Other Intangibles

In accordance with ASC 350 “Goodwill-Intangibles and Other”, the company’s goodwill and other indefinite lived intangibles are reviewed for impairment annually on the first day of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of goodwill and other indefinite lived intangibles, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are judgments based on the company’s experience and knowledge of operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company’s estimates or the underlying assumptions change in the future, the company may be required to record impairment charges. Any such charge could have a material adverse effect on the company’s reported net earnings.

Goodwill is allocated to the business segments as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of December 28, 2013	\$444,321	\$127,872	\$115,762	\$687,955
Goodwill acquired during the year	12,567	11,061	105,700	129,328
Measurement period adjustments to goodwill acquired in prior year	(1,533)	) —	1,627	94
Exchange effect	(4,465)	) (4,421)	) —	(8,886)
Balance as of January 3, 2015	\$450,890	\$134,512	\$223,089	\$808,491
Goodwill acquired during the year	29,032	2,987	166,774	198,793
Measurement period adjustments to goodwill acquired in prior year	(1,126)	) 63	(8,000)	(9,063)
Exchange effect	(5,669)	) (3,470)	) (5,743)	(14,882)
Balance as of January 2, 2016	\$473,127	\$134,092	\$376,120	\$983,339

The company has not recognized any goodwill impairments and therefore no accumulated impairment loss.

Intangible assets consist of the following (in thousands):

	January 2, 2016			January 3, 2015		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Customer lists	6.1	\$264,373	\$ (109,096 )	4.7	\$167,278	\$ (84,312 )
Backlog	0.3	13,763	(12,963 )	0.0	11,178	(11,178 )

Edgar Filing: MIDDLEBY CORP - Form 10-K

Developed technology	3.8	20,868	(17,220 )	4.6	19,786	(16,356 )
		\$299,004	\$ (139,279 )		\$198,242	\$ (111,846 )
Indefinite-lived assets:						
Trademarks and tradenames		\$589,705			\$405,635	

The aggregate intangible amortization expense was \$27.4 million, \$24.6 million and \$28.5 million in 2015, 2014 and 2013, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

2016	\$31,649
2017	26,647
2018	25,410
2019	19,362
2020	16,779
Thereafter	39,878
	\$159,725



## (g) Accrued Expenses

Accrued expenses consist of the following at January 2, 2016 and January 3, 2015, respectively:

	2015	2014
	(dollars in thousands)	
Accrued payroll and related expenses	\$65,623	\$50,844
Advanced customer deposits	57,595	20,367
Accrued customer rebates	45,154	32,357
Accrued warranty	37,901	28,786
Accrued sales and other tax	13,537	7,660
Accrued product liability and workers compensation	11,635	14,582
Accrued agent commission	9,948	11,207
Product recall	7,786	12,125
Accrued professional services	7,019	7,053
Restructuring	6,266	37
Other accrued expenses	57,690	35,567
	\$320,154	\$220,585

## (h) Litigation Matters

From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to partially cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition, results of operations or cash flows of the company.

## (i) Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income (loss) as reported in the consolidated balance sheets:

	2015	2014
	(dollars in thousands)	
Unrecognized pension benefit costs, net of tax	\$(23,579 )	\$(6,540 )
Unrealized loss on interest rate swap, net of tax	9	(236 )
Currency translation adjustments	(52,842 )	(24,655 )
	\$(76,412 )	\$(31,431 )



## (j) Fair Value Measures

ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into the following levels:

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

Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 – Unobservable inputs based on our own assumptions

The company’s financial assets and liabilities that are measured at fair value are categorized using the fair value hierarchy at January 2, 2016 and January 3, 2015 are as follows (in thousands):

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
As of January 2, 2016				
Financial Assets:				
Pension Plans	\$785,034	\$518,576	—	\$1,303,610
Financial Liabilities:				
Interest rate swaps	—	\$412	—	\$412
Contingent consideration	—	—	\$11,065	\$11,065
As of January 3, 2015				
Financial Assets:				
Pension Plans	\$27,647	\$1,234	—	\$28,881
Financial Liabilities:				
Interest rate swaps	—	\$810	—	\$810
Contingent consideration	—	—	\$14,558	\$14,558

The contingent consideration as of January 2, 2016 relates to the earnout provisions recorded in conjunction with the acquisitions of Spooner Vicars, PES, Desmon, Goldstein and Induc.

The contingent consideration as of January 3, 2015 relates to the earnout provisions recorded in conjunction with the acquisitions of Stewart, Nieco and Spooner Vicars, Market Forge, PES and Concordia.

The earnout provisions associated with these acquisitions are based upon performance measurements related to sales and earnings, as defined in the respective purchase agreements. On a quarterly basis the company assesses the projected results for each of the acquisitions in comparison to the earnout targets and adjusts the liability accordingly.

## (k) Foreign Currency

Foreign currency transactions are accounted for in accordance with ASC 830 “Foreign Currency Translation”. The income statements of the company’s foreign operations are translated at the monthly average rates. Assets and liabilities of the company’s foreign operations are translated at exchange rates at the balance sheet date. These translation adjustments are not included in determining net income for the period but are disclosed and accumulated in a separate component of stockholders’ equity. Exchange gains and losses on foreign currency transactions are included in determining net income for the period in which they occur. These transactions amounted to a loss of \$6.8 million, \$3.6 million and \$3.1 million in 2015, 2014 and 2013, respectively, and are included in other expense on the statements of earnings.

## (l) Revenue Recognition

At the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group, the company recognizes revenue on the sale of its products where title transfers and when risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the Food Processing Equipment Group, the company enters into long-term sales contracts for certain products. Revenue under these long-term sales contracts is recognized using the percentage of completion method defined within ASC 605-35 "Construction-Type and Production-Type Contracts" due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. Under ASC 605, the company records the asset for revenue recognized but not yet billed on contracts accounted for under the percentage of completion method in Prepaid Expenses and Other on the consolidated balance sheets. For 2015 and 2014, the amount of this asset was \$13.0 million and \$12.7 million, respectively. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements.

## (m) Shipping and Handling Costs

Shipping and handling costs are included in cost of products sold.

## (n) Warranty Costs

In the normal course of business the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

A rollforward of the warranty reserve for the fiscal years 2015 and 2014 are as follows:

	2015	2014
	(dollars in thousands)	
Beginning balance	\$28,786	\$20,826
Warranty reserve related to acquisitions	5,815	2,450
Warranty expense	45,994	44,547
Warranty claims paid	(42,694)	(39,037)
Ending balance	\$37,901	\$28,786

(o) Research and Development Costs

Research and development costs, included in cost of sales in the consolidated statements of earnings, are charged to expense when incurred. These costs were \$22.4 million, \$22.6 million and \$21.4 million in fiscal 2015, 2014 and 2013, respectively.

(p) Non-Cash Share-Based Compensation

The company estimates the fair value of restricted share grants and stock options at the time of grant and recognizes compensation costs over the vesting period of the awards and options. Non-cash share-based compensation expense of \$15.9 million, \$16.7 million and \$11.9 million was recognized for fiscal 2015, 2014 and 2013, respectively, associated with restricted share grants. The company recorded a related tax benefit of \$6.0 million, \$4.6 million and \$4.4 million in fiscal 2015, 2014 and 2013, respectively.

As of January 2, 2016, there was \$9.3 million of total unrecognized compensation cost related to nonvested restricted share grant compensation arrangements, which will be recognized over a weighted average life of 0.8 years.

Share grant awards not subject to market conditions for vesting are valued at the closing share price of the company's stock as of the date of the grant. There were no restricted share grant awards in 2013 or 2012. The company issued 100,704 and 369,807 restricted share grant awards in 2015 and 2014, respectively with a fair value of \$10.9 million and 32.5 million, respectively. Share grant awards issued in 2015 and 2014 are performance based and were not subject to market conditions. The fair value of \$107.81 and \$87.80 per share for the awards for 2015 and 2014, respectively, represent the closing share price of the company's stock as of the date of grant.

(q) Earnings Per Share

"Basic earnings per share" is calculated based upon the weighted average number of common shares actually outstanding, and "diluted earnings per share" is calculated based upon the weighted average number of common shares outstanding and other dilutive securities.

The company's potentially dilutive securities consist of shares issuable on exercise of outstanding options and vesting of restricted stock grants computed using the treasury method and amounted to 22,000, 20,000, and 317,000 for fiscal 2015, 2014 and 2013, respectively. There were no anti-dilutive equity awards excluded from common stock equivalents for 2015, 2014 or 2013.

(r) Consolidated Statements of Cash Flows

Cash paid for interest was \$14.8 million, \$14.8 million and \$14.1 million in fiscal 2015, 2014 and 2013, respectively. Cash payments totaling \$94.6 million, \$43.5 million, and \$49.5 million were made for income taxes during fiscal 2015, 2014 and 2013, respectively.

(s) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changes the criteria for determining which disposals can be presented as discontinued operations and requires expanded disclosures. Under ASU No. 2014-08, a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2014. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.





In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". This update amends the current guidance on revenue recognition related to contracts with customers. Under ASU No. 2014-09, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015 the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, that is, for interim and annual periods beginning on or after December 15, 2016, but not earlier. The guidance can be applied using one of two retrospective application methods. The company is evaluating the impact of adopting this new standard on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation". This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2015. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items". This update eliminates the concept of extraordinary items from the current guidance. This update is effective for annual and corresponding interim reporting periods beginning after December 15, 2015. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. Retrospective application is encouraged for all prior periods presented in the financial statements. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs to be recorded as a direct reduction of the debt liability on the balance sheet rather than as an asset. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-04, "Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets". This ASU is intended to provide a practical expedient for the measurement date of defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not fall on a calendar month-end (e.g., companies with a 52/53-week fiscal year) to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year-end. The FASB also provided a similar practical expedient for interim remeasurements for significant events.

This ASU requires perspective application and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The company is evaluating the impact the application of this ASU will have, if any, on the company's financial position, results of operations and cash flows.

In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest" which relates to the presentation of debt issuance costs. This standard clarifies the guidance set forth in FASB ASU 2015-03, which required that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the debt liability rather than as an asset. The new pronouncement clarifies that debt issuance costs related to line-of-credit arrangements could continue to be presented as an asset and be subsequently amortized over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement. The company does not expect the adoption of this standard to have a material impact on its consolidated balance sheets.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower

of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The company is currently evaluating the impact the new standard will have on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The company does not expect the adoption of this standard to have a material impact on its financial condition, results of operations or cash flows.

In November 2015, the FASB issued ASU 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". The amendments in ASU 2015-17 simplify the accounting for, and presentation of, deferred taxes by eliminating the need to separately classify the current amount of deferred tax assets or liabilities. Instead, aggregated deferred tax assets and liabilities are classified and reported as non-current assets or liabilities. The update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been issued. The company is currently evaluating the impact the new standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The amendments under this pronouncement will change the way all leases with a duration of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee's right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized like capital leases are under current accounting, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2018. The company is currently evaluating the impact this standard will have on its policies and procedures pertaining to its existing and future lease arrangements, disclosure requirements and on its consolidated financial statements.

## (5) FINANCING ARRANGEMENTS

The following is a summary of long-term debt at January 2, 2016 and January 3, 2015:

	2015	2014
	(dollars in thousands)	
Senior secured revolving credit line	\$733,000	\$587,500
Foreign loans	32,813	10,384
Other debt arrangement	248	283
Total debt	\$766,061	\$598,167
Less current maturities of long-term debt	32,059	9,402
Long-term debt	\$734,002	\$588,765

On August 7, 2012, the company entered into a senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for \$1.0 billion of availability under a revolving credit line. As of January 2, 2016, the company had \$733.0 million of borrowings outstanding under this facility. The company also had \$6.9 million in outstanding letters of credit as of January 2, 2016, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was \$260.1 million at January 2, 2016.

At January 2, 2016, borrowings under the senior secured credit facility are assessed at an interest rate of 1.50% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At January 2, 2016 the average interest rate on the senior debt amounted to 1.87%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of January 2, 2016.

In September 2015, the company completed its acquisition of Aga Rangemaster Group plc in the United Kingdom. At the time of acquisition, credit facilities denominated in British Pounds, Euro and U.S. dollars, had been established to fund local working capital needs. At January 2, 2016, these credit facilities amounted to \$24.7 million in U.S. dollars. At January 2, 2016, the average interest rate assessed on these facilities was approximately 1.98%.

In addition, the company has other international credit facilities to fund working capital needs outside the United States and the United Kingdom. At January 2, 2016, these foreign credit facilities amounted to \$8.1 million in U.S. dollars with a weighted average interest rate of approximately 9.0%.

The company's debt is reflected on the balance sheet at cost. Based on current market conditions, the company believes its interest rate margins on its existing debt are consistent with current market conditions and therefore the carrying value of debt reflects the fair value. However, as the interest rate margin is based upon numerous factors, including but not limited to the credit rating of the borrower, the duration of the loan, the structure and restrictions under the debt agreement, current lending policies of the counterparty, and the company's relationships with its lenders, there is no readily available market data to ascertain the current market rate for an equivalent debt instrument. As a result, the current interest rate margin is based upon the company's best estimate based upon discussions with its lenders.



The company estimated the fair value of its loans by calculating the upfront cash payment a market participant would require to assume the company's obligations. The upfront cash payment is the amount that a market participant would be able to lend to achieve sufficient cash inflows to cover the cash outflows under the company's senior revolving credit facility assuming the facility was outstanding in its entirety until maturity. Since the company maintains its borrowings under a revolving credit facility and there is no predetermined borrowing or repayment schedule, for purposes of this calculation the company calculated the fair value of its obligations assuming the current amount of debt at the end of the period was outstanding until the maturity of the company's senior revolving credit facility in August 2017. Although borrowings could be materially greater or less than the current amount of borrowings outstanding at the end of the period, it is not practical to estimate the amounts that may be outstanding during future periods. The carrying value and estimated aggregate fair value, a level 2 measurement, based primarily on market prices, of debt is as follows (in thousands):

	January 2, 2016		January 3, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	\$766,061	\$766,061	\$598,167	\$598,167

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion of its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of January 2, 2016, the company had the following interest rate swaps in effect:

Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date
25,000,000	2.520	% 2/23/2011	2/23/2016
15,000,000	1.185	% 9/12/2011	9/12/2016
25,000,000	0.635	% 2/11/2013	8/11/2016
25,000,000	0.789	% 2/11/2013	3/11/2017
25,000,000	0.803	% 2/11/2013	5/11/2017
35,000,000	0.880	% 2/11/2013	7/11/2017
10,000,000	1.480	% 9/11/2013	7/11/2017
15,000,000	0.920	% 3/11/2014	7/11/2017
25,000,000	0.950	% 3/11/2014	7/11/2017

The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; and enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the Company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or

prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. At January 2, 2016, the company was in compliance with all covenants pursuant to its borrowing agreements.

The aggregate amount of debt payable during each of the next five years is as follows:

	(in thousands)
2016	\$32,059
2017	733,315
2018	102
2019	102
2019 and thereafter	483
	\$766,061

(6) COMMON AND PREFERRED STOCK

(a) Shares Authorized and Issued

At January 2, 2016 and January 3, 2015, the company had 95,000,000 shares of common stock and 2,000,000 shares of non-voting preferred stock authorized. At January 2, 2016 and January 3, 2015, there were 57,306,082 and 57,271,680, respectively, shares of common stock outstanding.

(b) Treasury Stock

In July 1998, the company's Board of Directors adopted a stock repurchase program and during 1998 authorized the purchase of common shares in open market purchases. During 2013, the company's Board of Directors authorized the purchase of additional common shares in open market purchases. As of December 28, 2013, the total number of shares authorized for repurchase under the program is 4,570,266. As of January 2, 2016, 1,960,219 shares had been purchased under the 1998 stock repurchase program and 2,610,047 remain authorized for repurchase.

At January 2, 2016, the company had a total of 4,862,264 shares in treasury amounting to \$200.9 million.

(c) Share-Based Awards

The company maintains several stock incentive plans under which the company's Board of Directors issues stock options and makes restricted share grants to key employees. Stock options issued under the plans provided key employees with rights to purchase shares of common stock at specified exercise prices. Options were exercised upon certain vesting requirements being met, but expired to the extent unexercised within a maximum of ten years from the date of grant. Restricted share grants issued to employees are transferable upon certain vesting requirements being met.

2007 Stock Incentive Plan (the "2007 Plan"), as amended on May 7, 2009. Effective August 11, 2011 and in accordance with plan parameters, the company is no longer permitted to make grants under the 2007 Plan. Accordingly, zero additional shares are available for issuance under the 2007 Plan.

As of January 2, 2016, a total of 2,683,554 share-based awards have been issued under the 2007 Plan. This includes 2,672,667 restricted share grants, of which 7,200 remain outstanding and unvested. This also includes 10,887 stock options, of which 2,124 have been exercised, 7,791 have been forfeited and zero remain outstanding.

•



2011 Stock Incentive Plan (the "2011 Plan"), as created on April 1, 2011, under which the company's Board of Directors issues stock grants to key employees. A maximum amount of 1,650,000 shares can be issued under the 2011 Plan. Stock grants issued to employees are transferable upon certain vesting requirements.

As of January 2, 2016, a total of 470,511 share-based awards have been issued under the 2011 Plan. This includes 470,511 restricted share grants, of which 333,704 remain outstanding and unvested.

A summary of the company's nonvested restricted share grant activity for fiscal years ended January 2, 2016 and January 3, 2015 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 28, 2013	1,164,774	\$29.89
Granted	369,807	87.80
Vested	(1,141,974)	) 29.12
Forfeited	(6,000)	) 29.99
Nonvested shares at January 3, 2015	386,607	\$85.25
Granted	100,704	107.81
Vested	(125,457)	) 83.93
Forfeited	(20,950)	) 80.29
Nonvested shares at January 2, 2016	340,904	\$94.86

Additional information related to the share based compensation is as follows:

	2015	2014	2013
	(dollars in thousands)		
Intrinsic value of options exercised	\$—	\$—	\$80,528
Cash received from exercise	—	—	3,842
Tax benefit from option exercises	—	—	20,196

## (7) INCOME TAXES

Earnings before taxes is summarized as follows:

	2015	2014	2013
	(dollars in thousands)		
Domestic	\$266,831	\$240,936	\$195,435
Foreign	14,336	39,854	30,346
Total	\$281,167	\$280,790	\$225,781

The provision for income taxes is summarized as follows:

	2015	2014	2013
	(dollars in thousands)		
Federal	\$78,617	\$69,536	\$60,232
State and local	9,515	9,316	3,248
Foreign	1,425	8,626	8,373
Total	\$89,557	\$87,478	\$71,853
Current	\$87,638	\$72,137	\$74,828
Deferred	1,919	15,341	(2,975)
Total	\$89,557	\$87,478	\$71,853

Reconciliation of the differences between income taxes computed at the federal statutory rate to the effective rate are as follows:

	2015	2014	2013	
U.S. federal statutory tax rate	35.0	% 35.0	% 35.0	%
State taxes, net of federal benefit	2.1	2.2	0.9	
U.S. domestic manufacturers deduction	(2.6)	) (2.3)	) (2.6)	)
Permanent book vs. tax differences	(1.1)	) (2.0)	) (1.2)	)
Foreign tax rate differentials	(2.1)	) (1.9)	) (1.0)	)
Reserve adjustments and other	0.6	0.2	0.7	
Consolidated effective tax	31.9	% 31.2	% 31.8	%

At January 2, 2016 and January 3, 2015, the company had recorded the following deferred tax assets and liabilities:

	2015	2014
	(dollars in thousands)	
Deferred tax assets:		
Federal net operating loss carryforwards	\$13,416	\$7,020
Compensation related	19,160	17,092
Accrued retirement benefits	43,930	8,211
Inventory reserves	8,183	6,503
Product liability and workers compensation reserves	5,811	7,810
Warranty reserves	9,252	9,191
Receivable related reserves	3,069	3,277
UNICAP	3,520	3,727
State net operating loss carryforwards	1,483	2,731
Foreign net operating loss carryforwards	17,549	—
Interest rate swap	—	157
Other	32,347	18,154
Gross deferred tax assets	157,720	83,873
Valuation allowance	(20,395	) —
Deferred tax assets	\$137,325	\$83,873
Deferred tax liabilities:		
Intangible assets	\$(182,471	) \$(111,501
Foreign tax earnings repatriation	(1,363	) (3,029
LIFO reserves	(93	) (90
Depreciation	(551	) (1,366
Interest rate swap	(6	) —
Other	(2,690	) (2,745
Deferred tax liabilities	\$(187,174	) \$(118,731
Net deferred tax assets (liabilities)	\$(49,849	) \$(34,858
Current deferred asset		
Long-term deferred asset	\$51,723	\$51,017
Long-term deferred liability	11,438	2,925
Long-term deferred liability	(113,010	) (88,800
Net deferred tax assets (liabilities)	(113,010	) (88,800
Net deferred tax assets (liabilities)	\$(49,849	) \$(34,858

The company does not provide for deferred taxes and foreign withholding taxes on the remaining undistributed earnings of certain international subsidiaries of approximately \$104.5 million and \$86.1 million as of January 2, 2016 and January 3, 2015, respectively, as these earnings are considered permanently invested. Upon repatriation of these earnings to the U.S. in the form of dividends or otherwise, the company may be subject to U.S. income taxes and foreign withholding taxes. The actual U.S. tax cost would depend on income tax laws and circumstances at the time of distribution. Determination of the related tax liability is not practicable because of the complexities associated with the hypothetical calculation.

As of January 2, 2016, the company has U.S. federal and foreign income tax net operating loss carryforwards of approximately \$38.3 million and \$67.1 million, respectively. If not utilized, the federal and state net operating loss carryforwards will expire at various dates beginning 2024 through 2035. The foreign net operating losses have no expiration period. Certain of these carryforwards are subject to limitations on use due to tax rules affecting acquired tax attributes, loss sharing between group members, and business profitability, and therefore the company has established tax-effected valuation allowances against these tax benefits.

The valuation allowances that the company has provided against the deferred tax assets, primarily related to the acquisition of AGA in 2015 in the amount of \$20.4 million. The company will continue to maintain a valuation allowance on certain deferred tax assets until such time as in management's judgment, considering all available positive and negative evidence, the company determines that these deferred tax assets are more likely than not realizable.

As of January 2, 2016, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately \$14.4 million (of which \$14.1 million would impact the effective tax rate if recognized) plus approximately \$1.9 million of accrued interest and \$3.8 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. Interest recognized in fiscal years 2015, 2014 and 2013 was \$0.3 million, \$(0.3) million and \$0.4 million, respectively. Penalties recognized in fiscal years 2015, 2014 and 2013 was \$0.8 million, \$1.1 million and \$0.2 million, respectively.

Although the company believes its tax returns are correct, the final determination of tax examinations may be different than what was reported on the tax returns. In the opinion of management, adequate tax provisions have been made for the years subject to examination.

The following table summarizes the activity related to the unrecognized tax benefits for the fiscal years ended December 28, 2013, January 3, 2015 and January 2, 2016 (dollars in thousands):

Balance at December 28, 2013	\$12,727	
Increases to current year tax positions	3,270	
Increase to prior year tax positions	1,105	
Decrease to prior year tax positions	(189	)
Settlements	(4,092	)
Lapse of statute of limitations	(347	)
Balance at January 3, 2015	\$12,474	
Increases to current year tax positions	3,089	
Increase to prior year tax positions	116	
Decrease to prior year tax positions	(755	)
Settlements	—	
Lapse of statute of limitations	(505	)
Balance at January 2, 2016	\$14,419	

The company operates in multiple taxing jurisdictions; both within the United States and outside of the United States, and faces audits from various tax authorities. The company remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the company and its operating subsidiaries may be subject to audit by various tax authorities and may be subject to different statute of limitations expiration dates.

It is reasonably possible that the amounts of unrecognized tax benefits associated with state, federal and foreign tax positions may decrease over the next twelve months due to expiration of a statute or completion of an audit. The company believes that it is reasonably possible that \$1.6 million of its remaining unrecognized tax benefits may be recognized by the end of 2016 as a result of settlements with taxing authorities or lapses of statutes of limitations.

A summary of the tax years that remain subject to examination in the company's major tax jurisdictions are:

United States – federal	2012 – 2015
United States – states	2006 – 2015
Australia	2011 – 2015
Brazil	2011 – 2015
Canada	2009 – 2015
China	2006 – 2015
Czech Republic	2013 – 2015
Denmark	2012 – 2015
France	2011 – 2015
Germany	2013 – 2015
India	2013 – 2015
Ireland	2009 – 2015
Italy	2011 – 2015
Luxembourg	2011 – 2015
Mexico	2010 – 2015
Netherlands	2004 – 2015
Philippines	2012 – 2015
Romania	2006 – 2015
South Korea	2010 – 2015
Spain	2011 – 2015
Sweden	2009 – 2015
Switzerland	2008 – 2015
Taiwan	2010 – 2015
United Kingdom	2003 – 2015

## (8) FINANCIAL INSTRUMENTS

ASC 815 "Derivatives and Hedging" requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If the derivative does qualify as a hedge under ASC 815, changes in the fair value will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments or recognized in other accumulated other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a hedge's change in fair value will be immediately recognized in earnings.

## (a) Foreign Exchange

The company periodically enters into derivative instruments, principally forward contracts to reduce exposures pertaining to fluctuations in foreign exchange rates. The fair value of these forward contracts was a gain of \$0.8 million at the end of the year.

## (b) Interest Rate

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swap one-month LIBOR for fixed rates. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of January 2, 2016, the fair value of these instruments was a liability of \$0.4 million. The change in fair value of these swap agreements in 2015 was a gain of \$0.2 million, net of taxes.

A summary of the company's interest rate swaps is as follows:

	Location	Twelve Months Ended	
		Jan 2, 2016	Jan 3, 2015
Fair value	Other liabilities	\$ (412	) \$ (810
Amount of gain/(loss) recognized in other comprehensive income	Other comprehensive income	\$ (1,502	) \$ (1,494
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	\$ (1,909	) \$ (2,151
Gain/(loss) recognized in income (ineffective portion)	Other expense	\$ 9	\$ 4

Interest rate swaps are subject to default risk to the extent the counterparty is unable to satisfy its settlement obligations under the interest rate swap agreements. The company reviews the credit profile of the financial institutions that are counterparties to such swap agreements and assesses their creditworthiness prior to entering into the interest rate swap agreements and throughout the term. The interest rate swap agreements typically contain provisions that allow the counterparty to require early settlement in the event that the company becomes insolvent or is unable to maintain compliance with its covenants under its existing debt agreement.





**(9) LEASE COMMITMENTS**

The company leases warehouse space, office facilities and equipment under operating leases, which expire in fiscal 2016 and thereafter. Future minimum payment obligations under these leases are as follows:

	Total Operating Lease Commitments
2016	\$24,493
2017	19,583
2018	12,877
2019	12,961
2020	9,370
2021 and thereafter	26,159
	\$ 105,443

Rental expense pertaining to the operating leases was \$17.6 million, \$14.9 million and \$11.0 million in fiscal 2015, 2014 and 2013 respectively.

**(10) SEGMENT INFORMATION**

The company operates in three reportable operating segments defined by management reporting structure and operating activities.

The Commercial Foodservice Equipment Group manufactures, sells, and distributes foodservice equipment for the restaurant and institutional kitchen industry. This business segment has manufacturing facilities in California, Illinois, Michigan, New Hampshire, North Carolina, Tennessee, Texas, Vermont, Washington, Australia, China, Denmark, Italy, the Philippines and the United Kingdom. Principal product lines of this group include conveyor ovens, ranges, steamers, convection ovens, combi-ovens, broilers and steam cooking equipment, induction cooking systems, baking and proofing ovens, charbroilers, catering equipment, fryers, toasters, hot food servers, food warming equipment, griddles, coffee and beverage dispensing equipment, professional refrigerators, coldrooms, ice machines, freezers and kitchen processing and ventilation equipment. These products are sold and marketed under the brand names: Anets, Beech, Blodgett, Blodgett Combi, Blodgett Range, Bloomfield, Britannia, CTX, Carter-Hoffmann, Celfrost, Concordia, CookTek, Desmon, Doyon, Eswood, Frifri, Giga, Goldstein, Holman, Houno, IMC, Induc, Jade, Lang, Lincat, MagiKitch'n, Market Forge, Marsal, Middleby Marshall, MPC, Nieco, Nu-Vu, PerfectFry, Pitco, Southbend, Star, Toastmaster, TurboChef, Wells and Wunder-Bar.

The Food Processing Equipment Group manufactures preparation, cooking, packaging food handling and food safety equipment for the food processing industry. This business segment has manufacturing operations in Georgia, Illinois, Iowa, North Carolina, Texas, Virginia, Wisconsin, France, Germany and the United Kingdom. Principal product lines of this group include batch ovens, belt ovens, continuous processing ovens, frying systems, automated thermal processing systems, automated loading and unloading systems, meat presses, breading, battering, mixing, water cutting systems, forming, grinding and slicing equipment, food suspension, reduction and emulsion systems, defrosting equipment, packaging and food safety equipment. These products are sold and marketed under the brand names: Alkar, Armor Inox, Auto-Bake, Baker Thermal Solutions, Cozzini, Danfotech, Drake, Maurer-Atmos, MP Equipment, RapidPak, Spooner Vicars, Stewart Systems and Thurne.

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in California, Michigan, Mississippi, Wisconsin, France, Ireland, Romania and the United Kingdom. Principal product lines of this group are ranges, cookers, ovens, refrigerators, dishwashers, microwaves, cooktops and outdoor equipment. These products are sold and marketed under the brand names of Brigade, Divertimenti, Falcon, Fired Earth, Grange, Heartland, La Cornue, Leisure Sinks, Lynx, Marvel, Mercury, Rangemaster, Rayburn, Redfyre, Sedona, Stanley, TurboChef, U-Line and Viking.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision maker evaluates individual segment performance based on operating income. Management believes that intersegment sales are made at established arm's length transfer prices.

The following table summarizes the results of operations for the company's business segments(1,2) (dollars in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other(3)	Total
2015					
Net sales	\$1,121,046	\$297,712	\$407,840	\$—	\$1,826,598
Operating income	296,061	64,650	4,653	(62,761)	302,603
Depreciation and amortization expense	17,117	5,839	29,515	1,603	54,074
Net capital expenditures	12,123	2,164	7,935	140	22,362
Total assets	1,115,840	308,677	1,250,503	86,131	2,761,151
Long-lived assets	61,835	20,307	129,751	21,327	233,220
2014					
Net sales	\$1,041,228	\$322,783	\$272,527	\$—	\$1,636,538
Operating income	269,559	67,395	14,585	(51,107)	300,432
Depreciation and amortization expense	19,661	6,601	13,356	1,634	41,252
Net capital expenditures	6,752	4,487	1,811	93	13,143
Total assets	1,053,921	304,241	636,680	71,289	2,066,131
Long-lived assets	50,211	19,627	71,500	10,140	151,478
2013					
Net sales	\$895,494	\$301,522	\$231,669	\$—	\$1,428,685
Operating income	234,190	49,528	10,815	(50,071)	244,462
Depreciation and amortization expense	18,787	8,387	14,148	1,842	43,164
Net capital expenditures	7,227	3,140	4,090	183	14,640
Total assets	1,000,065	303,289	441,299	74,553	1,819,206
Long-lived assets	47,490	12,475	60,570	17,038	137,573

Non-operating expenses are not allocated to the reportable segments. Non-operating expenses consist of interest (1) expense and deferred financing amortization, foreign exchange gains and losses and other income and expense items outside of income from operations.

(2) Long-lived assets consist of property, plant and equipment, long-term deferred tax assets and other assets.

(3) Includes corporate and other general company assets and operations.

## Geographic Information

Long-lived assets, not including goodwill and other intangibles (in thousands):

	2015	2014	2013
	(dollars in thousands)		
United States and Canada	\$ 149,299	\$ 127,308	\$ 115,162
Asia	17,336	5,714	5,133
Europe and Middle East	65,581	16,739	15,762
Latin America	1,004	1,717	1,516
Total international	83,921	24,170	22,411
	\$ 233,220	\$ 151,478	\$ 137,573
Net sales (in thousands):	2015	2014	2013
	(dollars in thousands)		
United States and Canada	\$ 1,274,907	\$ 1,139,034	\$ 1,049,280
Asia	165,541	171,995	109,599
Europe and Middle East	319,387	222,974	187,381
Latin America	66,763	102,535	82,425
Total international	551,691	497,504	379,405
	\$ 1,826,598	\$ 1,636,538	\$ 1,428,685

## (11) EMPLOYEE RETIREMENT PLANS

## (a) Pension Plans

## U.S. Plans:

The company maintains a non-contributory defined benefit plan for its union employees at the Elgin, Illinois facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2002, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2002 upon reaching retirement age.

The company maintains a non-contributory defined benefit plan for its employees at the Smithville, Tennessee facility, which was acquired as part of the Star acquisition. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 1, 2008, and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 1, 2008 upon reaching retirement age.

The company also maintains a retirement benefit agreement with its Chairman ("Chairman Plan"). The retirement benefits are based upon a percentage of the Chairman's final base salary using a weighted average rate of increase in future compensation levels of 10.0%.

## Non-U.S. Plans:

The company maintains a defined benefit plan for its employees at the Wrexham, the United Kingdom facility, which was acquired as part of the Lincat acquisition. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2010 prior to Middleby's acquisition of the company. No further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2010 upon reaching retirement age.

The company maintains several pension plans related to AGA and its subsidiaries (collectively, the "AGA Group"), the most significant being the Aga Rangemaster Group Pension Scheme, which covers the majority of employees in the United Kingdom. Membership in the plan on a defined benefit basis of pension provision was closed to new entrants in 2001. The plan became open to new entrants on a defined contribution basis of pension provision in 2002, but was generally closed to new entrants on this basis during 2014.

The other, much smaller, defined benefit pension plans operating within the AGA Group cover employees in France, Ireland and the United Kingdom. All pension plan assets are held in separate trust funds although the net defined benefit pension obligations are included in the company's consolidated balance sheet.





A summary of the plans' net periodic pension cost, benefit obligations, funded status, and net balance sheet position is as follows (dollars in thousands):

	Fiscal 2015		Fiscal 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Net Periodic Pension Cost:</b>				
Service cost	\$ 505	\$ 1,216	\$ 447	\$ —
Interest cost	1,286	12,992	1,289	639
Expected return on assets	(844 )	(20,547 )	(799 )	(996 )
Amortization of net loss (gain)	694	—	(46 )	—
Curtailement loss	—	3,202	—	—
Pension settlement	—	—	—	—
	\$ 1,641	\$ (3,137 )	\$ 891	\$ (357 )
<b>Change in Benefit Obligation:</b>				
Benefit obligation – beginning of year	\$ 33,907	\$ 16,114	\$ 27,748	\$ 15,745
Benefit obligation – acquisition	2,988	1,495,089	—	—
Service cost	505	1,216	447	—
Interest on benefit obligations	1,286	12,992	1,289	639
Employee contributions	—	182	—	—
Actuarial (gain) loss	(2,960 )	8,668	5,293	1,273
Pension settlement	—	—	—	—
Net benefit payments	(922 )	(24,179 )	(870 )	(634 )
Curtailement loss	—	3,202	—	—
Exchange effect	—	(36,914 )	—	(909 )
Benefit obligation – end of year	\$ 34,804	\$ 1,476,370	\$ 33,907	\$ 16,114
<b>Change in Plan Assets:</b>				
Plan assets at fair value – beginning of year	\$ 13,575	\$ 15,306	\$ 13,324	\$ 15,172
Plan assets at fair value – acquisition	2,943	1,305,506	—	—
Company contributions	881	16,950	913	511
Investment (loss) gain	(590 )	6,173	208	1,133
Employee contributions	—	182	—	—
Benefit payments and plan expenses	(922 )	(24,179 )	(870 )	(634 )
Exchange effect	—	(32,215 )	—	(876 )
Plan assets at fair value – end of year	\$ 15,887	\$ 1,287,723	\$ 13,575	\$ 15,306
<b>Funded Status:</b>				
Unfunded benefit obligation	\$(18,917 )	\$(188,647 )	\$(20,332 )	\$(808 )
<b>Amounts recognized in balance sheet at year end:</b>				
Accrued pension benefits	\$(18,917 )	\$(188,647 )	\$(20,332 )	\$(808 )
<b>Pre-tax components in accumulated other comprehensive income:</b>				
Net actuarial loss	\$ 5,811	\$ 20,457	\$ 8,030	\$ 2,188
Net prior service cost	—	—	—	—

Edgar Filing: MIDDLEBY CORP - Form 10-K

Net transaction (asset) obligations	—	—	—	—		
Total amount recognized	\$5,811	\$20,457	\$8,030	\$2,188		
Accumulated Benefit Obligation	\$33,080	\$1,475,631	\$30,567	\$16,114		
Salary growth rate	n/a	0.4	% n/a	n/a		
Assumed discount rate	4.1	% 3.7	% 3.8	% 3.6	%	%
Expected return on assets	5.6	% 6.2	% 6.0	% 6.3	%	%

89

---

The company has engaged non-affiliated third party professional investment advisors to assist the company to develop its investment policy and establish asset allocations. The company's overall investment objective is to provide a return, that along with company contributions, is expected to meet future benefit payments. Investment policy is established in consideration of anticipated future timing of benefit payments under the plans. The anticipated duration of the investment and the potential for investment losses during that period are carefully weighed against the potential for appreciation when making investment decisions. The company routinely monitors the performance of investments made under the plans and reviews investment policy in consideration of changes made to the plans or expected changes in the timing of future benefit payments.

The assets of the plans were invested in the following classes of securities (none of which were securities of the company):

U.S. Plans:

	Target Allocation	Percentage of Plan Assets				
		2015	2014			
Equity	45	%	43	%	48	%
Fixed income	45		46		36	
Money market	3		4		4	
Other (real estate investment trusts & commodities contracts)	7		7		12	
	100	%	100	%	100	%

Non-U.S. Plans:

	Target Allocation	Percentage of Plan Assets				
		2015	2014			
Equity	16	%	19	%	72	%
Fixed income	45		44		24	
Alternatives/Other	28		20		—	
Real Estate	11		12		—	
Cash and cash equivalents	—		5		4	
	100	%	100	%	100	%

In accordance with ASC 820 “Fair Value Measurements and Disclosures”, the company has measured its defined benefit pension plans at fair value. The following tables summarize the basis used to measure the pension plans’ assets at fair value as of January 2, 2016 (in thousands):

## U.S. Plans:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short Term Investment Fund (a)	\$1,371	\$—	\$1,371	\$—
Equity Securities:				
Large Cap	3,402	3,149	253	—
Mid Cap	437	383	54	—
Small Cap	575	383	192	—
International	2,298	2,291	7	—
Fixed Income:				
Government/Corporate	4,831	4,311	520	—
High Yield	819	778	41	—
Alternative:				
Global Real Estate Investment Trust	1,773	771	1,002	—
Commodities Contracts	381	381	—	—
Total	\$15,887	\$12,447	\$3,440	\$—

(a) Represents collective short term investment fund, composed of high-grade money market instruments with short maturities.

## Non-U.S. Plans:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$73,005	\$64,651	\$8,354	\$—
Equity Securities:				
UK	91,269	91,075	194	—
International:				
Developed	147,278	144,864	2,414	—
Emerging	6,375	6,375	—	—
Unquoted/Private Equity	759	759	—	—
Fixed Income:				
Government/Corporate:				
UK	168,708	118,332	50,376	—
International	126,735	67,217	59,518	—
Index Linked	258,502	258,502	—	—
Other	3,518	3,518	—	—
Convertible Bonds	1,471	1,471	—	—
Real Estate:				
Direct	140,764	—	140,764	—
Indirect	13,617	177	13,440	—
Hedge Fund Strategy:				
Equity Long/Short	80,230	—	80,230	—
Arbitrage & Event	92,635	—	92,635	—
Directional Trading & Fixed Income	55,424	3,584	51,840	—
Cash & Other	2,557	—	2,557	—
Direct Sourcing	1,655	—	1,655	—
Leveraged Loans	10,824	—	10,824	—
Alternative/Other	12,397	12,062	335	—
	\$1,287,723	\$772,587	\$515,136	\$—

The fair value of the Level 1 assets is based on observable, quoted market prices of the identical underlying security in an active market. The fair value of the Level 2 assets is primarily based on market observable inputs to quoted market prices, benchmark yields and broker/dealer quotes. Level 3 inputs, as applicable, represent unobservable inputs that reflect assumptions developed by management to measure assets at fair value.



The expected return on assets is developed in consideration of the anticipated duration of investment period for assets held by the plan, the allocation of assets in the plan, and the historical returns for plan assets.

Estimated future benefit payments under the plans are as follows (dollars in thousands):

	U.S. Plans	Non-U.S. Plans
2016	\$ 1,184	\$ 63,628
2017	1,203	65,323
2018	1,907	66,322
2019	1,909	68,185
2020 through 2025	11,913	427,101

Expected contributions to the U.S. Plans and Non-US Plans to be made in 2016 are \$0.9 million and \$18.7 million, respectively.

#### (b) Defined Contribution Plans

As of January 2, 2016, the company maintained two separate defined contribution 401K savings plans covering all employees in the United States. These two plans separately cover the union employees at the Elgin, Illinois facility and all other remaining union and non-union employees in the United States. The company also maintains defined contribution plans for its U.K. based employees.

#### (12) QUARTERLY DATA (UNAUDITED)

	1st	2nd	3rd	4th	Total Year
	(dollars in thousands, except per share data)				
2015					
Net sales	\$ 406,596	\$ 436,291	\$ 449,004	\$ 534,707	\$ 1,826,598
Gross profit	157,562	172,889	177,182	198,872	706,505
Income from operations	66,580	83,360	80,030	72,633	302,603
Net earnings	\$ 38,231	\$ 54,267	\$ 48,825	\$ 50,287	\$ 191,610
Basic earnings per share (1)	\$ 0.67	\$ 0.95	\$ 0.86	\$ 0.88	\$ 3.36
Diluted earnings per share (1)	\$ 0.67	\$ 0.95	\$ 0.86	\$ 0.88	\$ 3.36
2014					
Net sales	\$ 372,478	\$ 424,776	\$ 404,289	\$ 434,995	\$ 1,636,538
Gross profit	142,976	166,174	162,380	169,055	640,585
Income from operations	55,933	75,739	86,465	82,295	300,432
Net earnings	\$ 33,445	\$ 48,405	\$ 59,713	\$ 51,749	\$ 193,312
Basic earnings per share (1)	\$ 0.59	\$ 0.85	\$ 1.05	\$ 0.91	\$ 3.41
Diluted earnings per share (1)	\$ 0.59	\$ 0.85	\$ 1.05	\$ 0.91	\$ 3.40

(1)

Sum of quarters may not equal the total for the year due to changes in the number of shares outstanding during the year.



## (13) RESTRUCTURING AND ACQUISITION INTEGRATION INITIATIVES

During the fiscal year 2015, the company incurred restructuring charges relative to each of its business segments. The costs and corresponding reserve balances (by segment) are summarized as follows (in thousands):

## Commercial Foodservice Equipment Group:

During the third quarter of 2015, the company closed one manufacturing facility within the Commercial Foodservice Equipment Group and transferred production to another existing manufacturing facility within the company. This action, which is not material to the company's operations, resulted in a charge of \$0.9 million for severance and lease costs in restructuring expenses in the consolidated statements of earnings for the year ended, January 2, 2016. The company estimates that these restructuring initiatives will result in future cost savings of approximately \$1.0 million annually, beginning in fiscal year 2016 and no significant future costs related to this action are expected.

## Food Processing Equipment Group:

During the third quarter of 2015, the company closed one manufacturing facility within the Food Processing Equipment Group and transferred production to another existing manufacturing facility within the company. This action, which is not material to the company's operations, resulted in a charge of \$2.4 million for severance and lease costs in restructuring expenses and \$0.2 million in cost of sales in the consolidated statements of earnings for the year ended, January 2, 2016. The company estimates that these restructuring initiatives will result in future cost savings of approximately \$3.5 million annually, beginning in fiscal year 2016 and no significant future costs related to this action are expected.

## Residential Kitchen Equipment Group:

During the fiscal years 2015 and 2014, the company has taken actions to improve the operations of Viking within the Residential Kitchen Equipment Group. Additionally, during the fourth quarter of 2015, the company undertook acquisition integration initiatives related to AGA within the Residential Kitchen Equipment Group. These initiatives included organizational restructuring and headcount reductions, consolidation and disposition of certain facilities and business operations. The company recorded expense in the amount of \$25.5 million, \$7.1 million and \$9.1 million, respectively in the years ended January 2, 2016, January 3, 2015 and December 28, 2013, respectively. This expense is reflected in restructuring expenses in the consolidated statements of earnings for such periods. The company estimates that these restructuring initiatives will result in future cost savings of approximately \$24.1 million annually, beginning in fiscal year 2015, primarily related to compensation and facility costs. The company anticipates that all severance obligations for the Residential Kitchen Equipment Group will be satisfied by the end of fiscal of 2016. The lease obligations extend through July 2020.

	Severance/Benefits	Inventory/Production	Facilities/Operations	Other	Total
Expenses	\$ 5,963	\$ 1,203	\$ 1,466	\$ 469	\$ 9,101
Payments	(4,344 )	(619 )	(1,389 )	(361 )	(6,713 )
Balance as of December 28, 2013	\$ 1,619	\$ 584	\$ 77	\$ 108	\$ 2,388
Expenses	3,776	(151 )	3,457	(4 )	7,078
Payments	(5,248 )	(433 )	(3,534 )	(67 )	(9,282 )
Balance as of January 3, 2015	\$ 147	\$ —	\$ —	\$ 37	\$ 184
Expenses	18,142	—	7,248	108	25,498
Payments	(2,628 )	—	(2,606 )	(25 )	(5,259 )

Edgar Filing: MIDDLEBY CORP - Form 10-K

Balance as of January 2, 2016	\$ 15,661	\$ —	\$ 4,642	\$120	\$20,423
-------------------------------	-----------	------	----------	-------	----------

## THE MIDDLEBY CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
FOR THE FISCAL YEARS ENDED JANUARY 2, 2016, JANUARY 3, 2015  
AND DECEMBER 28, 2013

	Balance Beginning Of Period	Additions/ (Recoveries) Charged to Expense	Write-Offs During the the Period	Balance At End Of Period
Allowance for doubtful accounts; deducted from accounts receivable on the balance sheets-				
2015	\$9,091,000	\$1,108,900	\$(1,361,400)	) \$8,838,500
2014	\$6,987,000	\$3,075,000	\$(971,000)	) \$9,091,000
2013	\$6,377,000	\$1,571,000	\$(961,000)	) \$6,987,000
	Balance Beginning Of Period	Additions/ (Recoveries) Charged to Expense(1)	Write-Offs During the the Period	Balance At End Of Period
Valuation allowance - Deferred tax assets				
2015	\$—	\$20,395,200	\$—	\$20,395,200

(1) Reserve related to the acquisition of AGA.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report that are designed to ensure that information required to be disclosed in the company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

The company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures as of January 2, 2016. Based on the foregoing, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of this period.

Changes in Internal Control Over Financial Reporting

During the quarter ended January 2, 2016, there have been no changes in the company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.



## Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Our assessment of the internal control structure excluded Desmon (acquired January 7, 2015), Goldstein Eswood (acquired January 30, 2015), Thurne (acquired April 7, 2015), Induc (acquired May 30, 2015), AGA (acquired September 30, 2015) and Lynx (acquired December 15, 2015). These acquisitions constitute 6.3% and 26.3% of net and total assets, respectively, 8.9% of net sales and (5.8)% of net income of the consolidated financial statements of the Company as of and for the year ended January 2, 2016. These acquisitions are included in the consolidated financial statements of the company as of and for the year ended January 2, 2016. Under guidelines established by the Securities Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company.

Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of January 2, 2016.

Ernst & Young LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of the company included in this report, has issued an attestation report on the effectiveness of the company's internal control over financial reporting as of January 2, 2016.

The Middleby Corporation  
March 2, 2016



Item 9B. Other Information

Not applicable.

98

---



PART III

Pursuant to General Instruction G (3), of Form 10-K, the information called for by Part III (Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence) and Item 14 (Principal Accountant Fees and Services), is incorporated herein by reference from the registrant's definitive proxy statement filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The financial statements listed on Page 48 are filed as part of this Form 10-K.

3. Exhibits

3.1 Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 13, 2005), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated April 29, 2005, filed on May 17, 2005.

3.2 Third Amended and Restated Bylaws of The Middleby Corporation (effective as of May 14, 2013), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 14, 2013, filed on May 17, 2013.

3.3 Certificate of Amendment to the Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 3, 2007), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 3, 2007, filed on May 3, 2007.

3.4 Certificate of Amendment to the Restated Certificate of Incorporation of The Middleby Corporation (effective as of May 8, 2014), incorporated by reference to the company's Form 8-K, Exhibit 3.1, dated May 6, 2014, filed on May 8, 2014.

4.1 Certificate of Designations dated October 30, 1987, and specimen stock certificate relating to the company Preferred Stock, incorporated by reference from the company's Form 10-K, Exhibit (4), for the fiscal year ended December 31, 1988, filed on March 15, 1989.

10.1 Fifth Amended and Restated Credit Agreement, dated as of August 7, 2012 among Middleby Marshall Inc., The Middleby Corporation, the subsidiary borrowers named therein, the lenders named therein, and Bank of America, N.A., as administrative agent for the lenders, incorporated by reference to the company's Form 8-K, Exhibit 10.1, filed on August 9, 2012.

10.2\* Amended 1998 Stock Incentive Plan, dated December 15, 2003, incorporated by reference to the company's Form 10-K, Exhibit 10.21, for the fiscal year ended January 3, 2004, filed on April 2, 2004.

10.3\* Employment Agreement of Selim A. Bassoul dated December 23, 2004, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated December 23, 2004, filed on December 28, 2004.

10.4\* Employment Agreement by and between The Middleby Corporation and Timothy J. FitzGerald, dated March 21, 2013, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated March 21, 2013, filed on March 25, 2013.

10.5\* Form of The Middleby Corporation 1998 Stock Incentive Plan Restricted Stock Agreement, incorporated by reference to the company's Form 8-K Exhibit 10.2, dated March 7, 2005, filed on March 8, 2005.

10.6\*

Edgar Filing: MIDDLEBY CORP - Form 10-K

Amendment to The Middleby Corporation 1998 Stock Incentive Plan, effective as of January 1, 2005, incorporated by reference to the company's Form 8-K Exhibit 10.2, dated April 29, 2005, filed on May 17, 2005.

Revised Form of Restricted Stock Agreement for The Middleby Corporation 1998 Stock Incentive Plan, , 10.7\* incorporated by reference to the company's Form 8-K, Exhibit 10.1, dated March 8, 2007, filed on March 14, 2007.

100

---

10.8\* Employment Agreement by and between The Middleby Corporation and Selim A. Bassoul, dated as of January 25, 2013, incorporated by reference to the company's Form 8-K Exhibit 10.1, dated January 25, 2013, filed on January 28, 2013.

10.9\* The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to Appendix A to the company's definitive proxy statement filed with the Securities and Exchange Commission on April 1, 2011.

10.10\* The Middleby Corporation Value Creation Incentive Plan, incorporated by reference to Appendix B to the company's definitive proxy statement filed with the Securities and Exchange Commission on April 1, 2011.

10.11\* Form of Restricted Performance Stock Agreement for The Middleby Corporation 2011 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to the company's Form 8-K, dated February 24, 2014, filed on March 3, 2014.

21 List of subsidiaries.

23.1 Consent of Ernst & Young LLP.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Financial statements on Form 10-K for the year ended January 2, 2016, filed on March 2, 2016, formatted in Extensive Business Reporting Language (XBRL); (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) consolidated statements of cash flows, (iv) notes to the consolidated financial statements.

\*Designates management contract or compensation plan.

(c) See the financial statement schedule included under Item 8.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of March 2016.

THE MIDDLEBY CORPORATION

BY: /s/ Timothy J. FitzGerald  
Timothy J. FitzGerald  
Vice President,  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 2, 2016.

Signatures

Title

PRINCIPAL EXECUTIVE OFFICER

/s/ Selim A. Bassoul  
Selim A. Bassoul

Chairman of the Board, President,  
Chief Executive Officer and Director

PRINCIPAL FINANCIAL AND  
ACCOUNTING OFFICER

/s/ Timothy J. FitzGerald  
Timothy J. FitzGerald

Vice President, Chief Financial  
Officer, Principal Financial Officer and  
Principal  
Accounting Officer

DIRECTORS

/s/ Robert Lamb  
Robert Lamb

Director

/s/ John R. Miller, III  
John R. Miller, III

Director

/s/ Gordon O'Brien  
Gordon O'Brien

Director

/s/ Philip G. Putnam  
Philip G. Putnam

Director

/s/ Cathy L. McCarthy  
Cathy L. McCarthy

Director

/s/ Sarah Palisi Chapin  
Sarah Palisi Chapin

Director

102