

MIDDLEBY CORP  
Form 10-K  
March 03, 2010

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

FORM 10-K

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

For the Fiscal Year Ended January 2, 2010

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)

36-3352497  
(IRS Employer Identification Number)

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

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  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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K during the preceding 12 months.  
Yes  No

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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, 2009 was approximately \$765,694,347.

The number of shares outstanding of the Registrant's class of common stock, as of February 26, 2010, was 18,552,737 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 2010 annual meeting of stockholders.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES  
 JANUARY 2, 2010  
 FORM 10-K ANNUAL REPORT

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## 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) cooking and warming equipment used in all types of commercial restaurants and institutional kitchens and (ii) food preparation, cooking and packaging equipment for food processing operations.

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 and (ii) food processing equipment as a result of its acquisition of industry leading brands and through the introduction of innovative products within both of these segments.

Over the past three years the company has completed eleven acquisitions in the commercial foodservice equipment and food processing equipment industries. These acquisitions have added fourteen brands to the Middleby portfolio and positioned the company as a leading supplier of equipment in both industries.

In April 2007, the company acquired the assets of Jade Products Company (“Jade”) for \$7.8 million in cash. Jade is a leading manufacturer of premium commercial and residential ranges and ovens used by many of the top chefs and upscale restaurant chains. Jade is also known for its ability to provide unique customized cooking suites designed to suit the needs of the most demanding restaurant operators. This acquisition allowed Middleby to expand its product offerings in the commercial foodservice segment with a leading industry brand.

In June 2007, the company acquired the assets of Carter-Hoffmann for \$16.4 million in cash. Carter-Hoffmann is a leading brand and supplier of heated cabinets and food holding equipment for the commercial restaurant industry. This acquisition was complementary to Middleby’s existing cooking products and allowed the company to provide a more complete offering on the “hot-side” of the kitchen.

In July 2007, the company acquired the assets of MP Equipment (“MP Equipment”) for \$15.3 million in cash and \$3.0 million in deferred payments made to the sellers. MP Equipment further strengthened Middleby’s position in the food processing equipment industry by adding a portfolio of complementary products to the Alkar and Rapidpak brands. The products of MP Equipment include breading machines, battering machines, mixers, forming equipment, and slicing machines. These products are used by numerous suppliers of food product to the major restaurant chains.

In August 2007, the company acquired the assets of Wells Bloomfield for \$29.2 million in cash. Wells is a leading brand of cooking and warming equipment for the commercial restaurant industry, complimenting Middleby’s other products in this category. Wells also offers a unique ventless hood system, which is increasing in demand as more and more food operations are opening in unconventional locations where it is difficult to install ventilation systems, such as shopping malls, airports and stadiums. Bloomfield is a leading provider of coffee brewers, tea brewers and beverage dispensing equipment. The addition of Bloomfield to Middleby’s portfolio of brands allows Middleby to benefit in the fast growing beverage segment as the company’s restaurant chain customers increase their offerings of coffee and specialty drinks.

In December 2007, subsequent to the company’s fiscal 2007 year end, the company acquired New Star International Holdings, Inc. (“Star”) for \$189.5 million in cash. This acquisition added three leading brands to Middleby’s portfolio of

brands in the commercial restaurant industry, including Star, a leader in light duty cooking and concession equipment, Holman, a leader in conveyor and pop-up toasters, and Lang, a leading oven and range line. The transaction positions Middleby as a leading supplier to convenience chains and fast casual restaurant chains.

In April 2008, the company acquired the net assets and related business operations of Frifri aro SA (“Frifri”) for \$3.5 million in cash. Frifri is a leading European supplier of advanced frying systems.

In April 2008, the company acquired the assets of Giga Grandi Cucine S.r.l. (“Giga”) for \$9.9 million in cash and assumed debt. Giga is a leading European manufacturer of ranges, ovens and steam cooking equipment.

In January 2009, subsequent to the company’s fiscal 2008 year end, the company acquired TurboChef Technologies, Inc. (“TurboChef”) for cash and shares of Middleby common stock. The total aggregate purchase price of the transaction amounted to \$160.3 million including \$116.3 million in cash and 1,539,668 shares of Middleby common stock valued at \$44.0 million. TurboChef is a leader in speed-cook technology, one of the fastest growing segments of the commercial foodservice equipment market. TurboChef’s user-friendly speed cook ovens employ proprietary combinations of heating technologies to cook a variety of food products at speeds up to 12 times faster than that of conventional heating methods.

In April 2009, the company acquired the assets of CookTek LLC (“CookTek”) for \$8 million in cash and \$1.0 million in a deferred payment due the seller. CookTek is a leader in the manufacture of induction cooking and warming systems for the commercial foodservice industry. CookTek’s line of induction cooking equipment utilizes magnetic waves to heat product in a highly energy efficient manner at speeds fast than conventional cooking equipment.

In April 2009, the company acquired substantially all of the assets of Anetsberger Brothers, Inc. (“Anets”), a leading manufacturer of griddles, fryers, and dough rollers for the commercial foodservice industry for \$3.4 million in cash and \$0.5 million in deferred payments. The acquisition of Anets allows Middleby to continue to expand its portfolio of leading brands in cooking and warming and increase its leading position in the griddle and fryer segment.

In December 2009, the company acquired all of the shares of Doyon Equipment Inc. (“Doyon”), a leading manufacturer of baking ovens for the commercial foodservice industry for approximately \$5.8 million. The acquisition of Doyon enhances Middleby’s position as a leader in the baking segment and better positions the company to address the growing needs of the retail and supermarket foodservice segment

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.

## Business Divisions and Products

The company conducts its business through three principal business divisions: the Commercial Foodservice Equipment Group; the Food Processing Equipment Group; and the International Distribution Division. See Note 11 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 leading brands of cooking and warming equipment, which enable it to serve virtually any cooking or warming application within a commercial restaurant or institutional kitchen. 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 company offers a broad line of cooking equipment marketed under a portfolio of twenty brands, including, Anets®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, CTX®, Carter-Hoffmann®, CookTek®, Doyon®, Frifri®, Giga®, Holman®, Houno®, Jade®, Lang®, MagiKitch'n®, Middleby Marshall®,

NuVu®, Pitco®, Southbend®, Star®, Toastmaster®, TurboChef® and Wells®. These products are manufactured at the company's U.S. facilities in California, Illinois, Michigan, New Hampshire, North Carolina, Tennessee, Texas and Vermont. The company also has international manufacturing facilities located in Canada, China, Denmark, Italy and the Philippines.

The products offered by this group include ranges, convection ovens, conveyor ovens, baking ovens, proofers, broilers, fryers, combi-ovens, charbroilers, steam equipment, pop-up and conveyor toasters, steam cooking equipment, food warming equipment, induction cooking systems, griddles, ventless cooking systems, coffee brewers, tea brewers and beverage dispensing equipment.

This group is represented by the following product brands:

- For over 80 years, Anets® has been an innovator in the commercial foodservice industry with a full range of fryers, griddles, dough rollers, pasta cookers and bakery products.
- Blodgett®, known for its durability and craftsmanship, is the leading brand of convection and combi-ovens. In demand since the late 1800's, the Blodgett oven has stood the test of time and set the industry standard.
- Bloomfield® is one of the leading brands providing coffee brewers, tea brewers, and beverage dispensing equipment. Bloomfield has a reputation of durability and dependability.
- Carter-Hoffmann® has been a leading provider of heated cabinets, rethermalizing equipment and food serving equipment for over 60 years. Carter-Hoffmann is known for providing innovative and energy saving equipment that allow a foodservice operation to save on food costs by holding food in its heated cabinets and holding stations for an extended period of time, while maintaining the quality of the product.
- CookTek® is the leading innovator, developer and manufacturer of induction powered equipment for the foodservice industry, with a focus on cooking, buffet holding and hot food delivery. Designed to be simple to operate, rugged and durable, all products are supremely energy efficient - "green by nature."
- Doyon® has been a manufacturer of bakery ovens for more than 50 years. Doyon is recognized for its quality and service. Doyon's products include bakery ovens, proofers and mixers.
- Frifri is a leading manufacturer of fryers and frying systems in Europe. They lead the market due to their innovation, including advanced controls and filtration functions. Since 1947 they have been known for their quality products and durability.
- Founded in 1967, GIGA Grandi Cucine S.r.l. is a leading manufacturer well known in Italy as a manufacturer of a broad line of professional cooking equipment and catering equipment. Giga's products include ranges, steam cooking equipment and ovens.
- For over 50 years, Holman® is a leading brand in toasting equipment including high speed, conveyORIZED and pop-up. Holman equipment can be found in many convenience stores, restaurant chains, and hotels. With the recent trend of toasted sandwiches, Holman toasters can be found in several of the leading sandwich chains.
- For more than 30 years, Houno® has manufactured quality combi-ovens and baking ovens. Houno ovens are recognized for their superior design, energy and water saving features and reliability.
- Jade® designs and manufactures premium and customized cooking suites which can be found in the restaurants of many leading chefs. Jade is renowned for its offering of specialty cooking equipment and its ability to customize products to meet the specialized requests of a restaurant operator.
- For more than a century, Lang® has been a world-class supplier of cooking equipment, offering a complete line of high-performing, innovative gas and electric cooking solutions for commercial and marine applications.



- For more than 60 years, MagiKitch'n® has focused on manufacturing charbroiling products that deliver quality construction, high performance and flexible operation.

- Conveyor oven equipment products are marketed under the Middleby Marshall®, Blodgett® and CTX® brands. Conveyor oven equipment allows for simplification of the food preparation process, which in turn provides for labor savings opportunities and a greater consistency of the final product. Conveyor oven customers include many of the leading pizza restaurant chains and sandwich chains.
- Nu-Vu®, the leader in on-premise baking, manufactures a wide variety of commercial baking equipment for use in restaurants and institutions. Nu-Vu ovens and proofers are used by many of the leading sandwich chains for daily baking of fresh bread.
- Pitco Frialator® offers a broad line of gas and electric equipment combining reliability with efficiency in simple-to-operate professional frying equipment. Since 1918, Pitco fryers have captured a major market share by offering simple, reliable equipment for cooking menu items such as french fries, onion rings, chicken, donuts and seafood.
- For over 100 years, Southbend® has produced a broad array of heavy-duty, gas-fired equipment, including ranges, convection ovens, broilers, and steam cooking equipment. Southbend has dedicated significant resources to developing and introducing innovative product features resulting in a premier cooking line.
- Star® has been making durable, reliable, quality products since 1921. Star products are used in a broad range of applications that include fast food, leisure, concessions and traditional restaurant operations.
- Toastmaster® manufactures light and medium-duty electric equipment, including pop-up and conveyor toasters, hot food servers, foodwarmers and griddles to commercial restaurants and institutional kitchens.
- Since its inception in 1991, TurboChef® has pioneered the world of rapid cooking. The result of top-grade engineering and testing, TurboChef ovens feature proprietary technology, which combines superior air impingement with other rapid-cook methods to create high heat transfer rates and outstanding food quality.
- Wells® is a leader in countertop and drop in warmers. It is also one of only a few companies to offer ventless cooking systems. Its patented technology allows a food service operator to utilize cooking equipment in locations where external ventilation may not be possible, such as shopping malls, airports and sports arenas.

#### Food Processing Equipment Group

The Food Processing Equipment Group provides a broad array of innovative products designed for the food processing industry. These products include:

- Cooking equipment, including batch ovens, belt ovens and conveyORIZED cooking systems marketed under the Alkar® brand.
- Food preparation equipment, such as breadings, battering, mixing, forming and slicing machines, marketed under the MP Equipment® brand.
- Packaging and food safety equipment marketed under the Rapidpak® brand.

Customers include large international food processing companies throughout the world. The company is recognized as a market leader in the manufacturing of equipment for producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats. 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 Food

Processing Equipment Group has manufacturing facilities in Wisconsin.

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## International Distribution Division

The company has identified the international markets as an area of growth. Middleby's International Distribution Division provides integrated export management and distribution services, enabling the company to offer equipment to be delivered and supported virtually anywhere in the world. The company believes that its global network provides it with a competitive advantage that positions the company as a preferred foodservice equipment supplier to major restaurant chains expanding globally. The company offers customers a complete package of kitchen equipment, delivered and installed in over 100 countries. For a local country distributor or dealer, the division provides centralized sourcing of a broad line of equipment with complete export management services, including export documentation, freight forwarding, equipment warehousing and consolidation, installation, warranty service and parts support. The International Distribution Division has regional export management companies in Asia, Europe and Latin America complemented by sales and distribution offices located in Australia, Belgium, China, France, India, Italy, Germany, Lebanon, Mexico, the Philippines, Russia, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Taiwan, United Arab Emirates and the United Kingdom.

## The Customers and Market

### Commercial Foodservice Equipment Industry

The company's end-user customers include: (i) fast food or 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 restaurant chains, which account for a meaningful portion of the company's business. The company's international sales are through a combined network of independent and company-owned distributors. The company maintains sales and distribution offices in Australia, Belgium, China, France, India, Italy, Germany, Lebanon, Mexico, the Philippines, Russia, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Taiwan, United Arab Emirates and the United Kingdom.

Over the past several decades, the 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 into nontraditional locations by quick-service restaurants and store equipment modernization. In the international markets, foodservice equipment manufacturers have been experiencing stronger growth than the U.S. market due to rapidly 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 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. 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; 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, 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, big-box retailers are also dictating food safety standards that are actually stricter than government regulations.

A number of factors, including rising 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. Meat 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 pressure from big-box retailers, 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 equipment is approximately \$3 billion in the U.S and \$20 billion worldwide. The company's product offerings are estimated to compete in a subsegment of total industry, and the relevant market size for its products are estimated by management to exceed \$0.5 billion in the U.S. and \$1.5 billion worldwide.

## Backlog

The company's backlog of orders was \$51.7 million at January 2, 2010, all of which is expected to be filled during 2010. The acquired TurboChef, CookTek, Anets and Doyon businesses accounted for \$4.5 million of the backlog. The company's backlog was \$47.3 million at January 3, 2009. 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 the company'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 personnel and international marketing divisions and subsidiaries, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents. 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.

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.

International sales are primarily made through the International Distribution Division network to independent local country stocking and servicing distributors and dealers and, at times, directly to major chains, hotels and other large end-users.

### Food Processing Equipment Group

The company maintains a direct sales force to market the Alkar, Rapidpak and MP Equipment brands and maintains direct relationships with each of its customers. The company also involves division management in the relationships with large global accounts. In North America, the company employs regional sales managers, each with responsibility for a group of customers and a particular region. Internationally, the company maintains 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.

### 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 via a toll-free paging number. The company provides substantial technical support to the technicians in the field through factory-based technical service engineers. The company has stringent parts stocking requirements for these agencies, leading to a high first-call completion rate for service and warranty repairs.

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 more than 1,000 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. As with its domestic service network, the company maintains stringent parts stocking requirements for its international distributors.

### 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.

### Competition

The commercial foodservice and food processing 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 food production 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 AB; Groen, a subsidiary of Dover Corporation; Rational AG; and the Ali Group. Major competitors to the Food Processing Equipment Group include Convenience Food Systems, FMC Technologies, Multivac, Marel, Formax, and Heat and Control.

### Manufacturing and Quality Control

The company manufactures product in eleven domestic and five international production facilities. In Brea, California, the company manufactures cooking ranges. In Chicago, Illinois, the company manufactures induction cooking and warming systems. In Elgin, Illinois, the company manufactures conveyor ovens. In Mundelein, Illinois, the company manufactures warming equipment and heated food cabinets. In Menominee, Michigan, the company manufactures baking ovens and proofers. In Bow, New Hampshire, the company manufactures fryers, charbroilers and catering equipment products. In Fuquay-Varina, North Carolina, the company manufactures ranges, steamers, combi-ovens, convection ovens and broiling equipment. In Smithville, Tennessee, the company manufactures counterline cooking equipment and warming systems, fryers, convection ovens, counterline cooking equipment and ventless cooking systems. In Dallas, Texas, the company manufactures high-speed cooking ovens. In Burlington, Vermont, the company manufactures combi-ovens, convection ovens and deck oven product lines. In Lodi, Wisconsin, the company manufactures cooking systems, breadings, battering, mixing, forming, and slicing equipment and packaging equipment that serves customers in the food processing industry. In Randers, Denmark, the company manufactures combi-ovens and baking ovens. In Scandicci, Italy, the company manufactures a wide array of food service equipment including ranges, fryers and ovens. In Quebec City, Quebec, Canada, the company manufactures baking ovens, proofers, pizza ovens and mixers. In Shanghai, China, the company manufactures frying systems. In Laguna, the Philippines, the company manufactures fryers, counterline equipment and component parts for the U.S. manufacturing facilities.

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 are directed to the development and improvement of products designed to reduce cooking time, increase cooking 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(n) to the Consolidated Financial Statements for further information on the company's research and development activities.

#### Licenses, Patents, and Trademarks

The company owns numerous trademarks and trade names; among them, Alkar®, Anets®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, CTX®, Carter-Hoffmann®, CookTek®, Doyon®, Frifri®, Giga®, Holman®, Houno®, Jade®, Lang®, MP Equipment®, MagiKitch'n®, Middleby Marshall®, Nu-Vu®, Pitco Frialator®, RapidPak®, Southbend®, Star®, Toastmaster® TurboChef® and Wells® are registered with the U.S. Patent and Trademark Office and in various foreign countries.

The company holds a broad portfolio of patents 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

As of January 2, 2010, the company employed 1,902 persons. Of this amount, 865 were management, administrative, sales, engineering and supervisory personnel; 835 were hourly production non-union workers; and 202 were hourly production union members. Included in these totals were 464 individuals employed outside of the United States, of which 286 were management, sales, administrative and engineering personnel, 104 were hourly production non-union workers and 74 were hourly production workers, who participate in an employee cooperative. 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, 2010. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on April 30, 2012. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that extends through June 2011. Management believes that the relationships between employees, union and management are good.

## Seasonality

The company's revenues historically have been 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.

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 a decline in business and consumer spending, a reduction in the availability of credit and decreased growth by our existing customers, resulting in customers electing to delay the replacement of aging equipment. Higher energy costs, rising interest rates, 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, 2010, the company had \$275.6 million of borrowings and \$7.8 million in letters of credit outstanding. As of January 2, 2010, the company could incur an additional \$214.4 million under its credit agreement. 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 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 44% of its total assets as of January 2, 2010. The excess of the purchase price over the fair value of assets acquired and liabilities assumed in conjunction with acquisitions is recorded as other identifiable intangible assets and goodwill. In accordance with Accounting Standards Code ("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. A significant decline in stock prices, such as occurred during 2008, could indicate that an impairment has occurred. 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 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 revolver and would result in a default under the company's 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 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. The company may be unable to pay these debts in these circumstances.



Competition in the foodservice equipment industry is intense and could impact the company's results of operations and cash flows.

The company operates in a highly competitive industry. In the company's business, competition is based on 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 a number of competitors in each product line that it offers. 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 market for the company's products is 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 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. 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's revenues and profits will be adversely affected if it is unable to expand its product offerings, retain its current customers, or attract new customers.

The success of the company's business depends, in part, on its ability to maintain and expand the company's product offerings and the company's customer base. The company's success also depends on its ability to offer competitive prices and services in a price sensitive business. Many of the company's larger restaurant chain customers have

multiple sources of supply for their equipment purchases and periodically approve new competitive equipment as an alternative to the company's products for use within their restaurants. There can be no assurance that the company will be able to continue to expand its product lines or that it will be able to retain its current customers or attract new customers. The company also cannot assure you that it will not lose customers to low-cost competitors with comparable or superior products and services. If the company fails to expand its product offerings, or loses a substantial number of the company's current customers or substantial business from current customers, or is unable to attract new customers, the company's business, financial condition and results of operations will be adversely affected.



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. The number of new store openings by these chains can vary from quarter to quarter depending on internal growth plans, construction, seasonality and other factors. If these chains were to conclude that the market for their type of restaurant has become saturated, they could open fewer restaurants. In addition, during an economic downturn, key customers could both open fewer restaurants and defer purchases of new equipment for existing restaurants. 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 sources of 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. The price of steel has increased significantly over the past several years. The 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 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;
- diversion of management's attention from other business concerns;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives; and
- loss of customers or key employees.

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.

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; and
- potentially adverse tax consequences.

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 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 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, and may be expected to obtain in the future, 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.

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

The company has manufacturing operations located in Asia and Europe and distribution operations 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 by the company's foreign operations are in local currency, 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.

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.



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 and food processing equipment;
- 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 11% of the company's workforce as of January 2, 2010. The company has union contracts with employees at its facilities in Lodi, Wisconsin and Elgin, Illinois that extend through December 2011 and April 2012, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2011. 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 certain of the company's executive officers and certain other key personnel, many of 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 it will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company business and operations.

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.

Future sales or issuances of equity or convertible securities could depress the market price of the company's common stock and be dilutive and affect the company's ability to raise funds through equity issuances.

If the company's stockholders sell substantial amounts of the company's common stock or the company issues substantial additional amounts of the company's equity securities, or there is a belief that such sales or issuances could occur, the market price of the company's common stock could fall. These factors could also make it more difficult for the company to raise funds through future offerings of equity securities.

The market price of the company's common stock may be subject to significant volatility.

The market price of the company's common stock may be highly volatile because of a number of factors, including the following:

- actual or anticipated fluctuations in the company's operating results;
- changes in expectations as to the company's future financial performance, including financial estimates by securities analysts and investors;
  - the operating performance and stock price of other companies in the company's industry;
- announcements by the company or the company's competitors of new products or significant contracts, acquisitions, joint ventures or capital commitments;
- changes in interest rates;
- additions or departures of key personnel; and
- future sales or issuances of the company's common stock.

In addition, the stock markets from time to time experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the trading price of the company's common stock, regardless of the company's operating performance.

#### Item 1B. Unresolved Staff Comments

Not applicable.





## Item 2. Properties

The company's principal executive offices are located in Elgin, Illinois. The company operates thirteen manufacturing facilities in the U.S and manufacturing facilities in Canada, China, Denmark, Italy and the Phillipines.

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

Location	Principal Function	Square Footage	Owned/Leased	Lease Expiration
Brea, CA	Manufacturing, Warehousing and Offices	72,000	Leased	June 2015
Buford, GA	Warehousing and Offices	17,350	Leased	February 2013/
		30,000	Leased	December 2014
Chicago, IL	Manufacturing, Warehousing and Offices	30,800	Leased	March 2010/ November 2012
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	55,000	Owned	N/A
		33,000	Owned	N/A
Menominee, MI	Manufacturing, Warehousing and Offices	46,000	Owned	N/A
St. Louis, MO	Offices	47,250	Leased	August 2010
Bow, NH	Manufacturing, Warehousing and Offices	102,000	Owned	N/A
		34,000	Leased	March 2010
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	131,000	Owned	N/A
Smithville, TN	Manufacturing, Warehousing and Offices	190,000	Owned	N/A
Carrollton, TX	Manufacturing, Warehousing and Offices	110,100	Leased	September 2012/ November 2012
Burlington, VT	Manufacturing, Warehousing and Offices	140,000	Owned	N/A
Lodi, WI	Manufacturing, Warehousing and Offices	112,000	Owned	N/A
Quebec City, Canada	Manufacturing, Warehousing and Offices	36,000	Owned	N/A
Shanghai, China	Manufacturing, Warehousing and Offices	37,500	Leased	July 2012
Randers, Denmark	Manufacturing, Warehousing and Offices	50,100	Owned	N/A
Scandicco, Italy	Manufacturing, Warehousing and Offices	106,350	Leased	March 2014
Laguna, the Phillipines	Manufacturing, Warehousing and Offices	54,000	Owned	N/A

At various other locations the company leases small amounts of office space for administrative and sales functions, and in certain instances limited short-term inventory storage. These locations are in China, Mexico, Spain, Sweden, Taiwan and the United Kingdom.

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

The company also has a leased manufacturing facility in Quakertown, Pennsylvania, which was exited as part of the company's manufacturing consolidation efforts. This lease extends through June 2015. Additionally, the company has a leased manufacturing facility in Verdi, Nevada, which was exited as part of the company's consolidation efforts. This lease extends through June 2012.

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 adverse effect upon the financial condition, results of operations or cash flows of the company.

Item 4. Reserved

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## 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 2009		
First quarter	35.65	20.76
Second quarter	49.76	33.75
Third quarter	56.51	39.34
Fourth quarter	53.00	43.67
Fiscal 2008		
First quarter	76.62	53.76
Second quarter	67.23	44.52
Third quarter	63.96	39.90
Fourth quarter	54.31	24.80

## Shareholders

The company estimates there were approximately 34,005 record holders of the company's common stock as of February 26, 2010.

## 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
October 4, 2009 to October 31, 2009	—	—	—	627,332
November 1, 2009 to November 28, 2009	—	—	—	627,332
November 29, 2009 to January 2, 2010	—	—	—	627,332
Quarter ended January 2, 2010	—	—	—	627,332

In July 1998, the company's Board of Directors adopted a stock repurchase program and subsequently authorized the purchase of up to 1,800,000 common shares in open market purchases. As of January 2, 2010, 1,172,668 shares had been purchased under the 1998 stock repurchase program.

In May 2007, the company's Board of Directors approved a two-for-one stock split of the company's common stock in the form of a stock dividend. The stock split was paid to shareholders of record as of June 1, 2007. The company's stock began trading on a stock-adjusted basis on June 18, 2007. The stock split effectively doubled the number of shares outstanding at June 15, 2007.

At January 2, 2010, the company had a total of 4,069,913 shares in treasury amounting to \$102.0 million.

## Item 6. Selected Financial Data

(amounts in thousands, except per share data)  
Fiscal Year Ended(1)(2)

	2009	2008	2007	2006	2005
<b>Income Statement Data:</b>					
Net sales	\$ 646,629	\$ 651,888	\$ 500,472	\$ 403,131	\$ 316,668
Cost of sales	396,001	403,746	308,107	246,254	195,015
Gross profit	250,628	248,142	192,365	156,877	121,653
Selling and distribution expenses	64,239	63,593	50,769	40,371	33,772
General and administrative expenses	74,948	64,931	48,663	39,605	29,909
Income from operations	111,441	119,618	92,933	76,901	57,972
Interest expense and deferred financing amortization, net	11,594	12,982	5,855	6,932	6,437
Debt extinguishment expenses	—	—	481	—	—
Loss (gain) on financing derivatives	—	—	314	—	—
Other expense (income), net	121	2,414	(1,696)	161	137
Earnings before income taxes	99,726	104,222	87,979	69,808	51,398
Provision for income taxes	38,570	40,321	35,365	27,431	19,220
Net earnings	\$ 61,156	\$ 63,901	\$ 52,614	\$ 42,377	\$ 32,178
<b>Net earnings per share:</b>					
Basic	\$ 3.47	\$ 4.00	\$ 3.35	\$ 2.77	\$ 2.14
Diluted	\$ 3.29	\$ 3.75	\$ 3.11	\$ 2.57	\$ 1.99
<b>Weighted average number of shares outstanding:</b>					
Basic	17,605	15,978	15,694	15,286	15,028
Diluted	18,575	17,030	16,938	16,518	16,186
<b>Balance Sheet Data:</b>					
Working capital	\$ 70,670	\$ 68,198	\$ 61,573	\$ 11,512	\$ 7,590
Total assets	816,346	654,498	413,647	288,323	267,219
Total debt	275,641	234,700	96,197	82,802	121,595
Stockholders' equity	342,655	227,960	182,912	100,573	48,500

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

(2) The prior years' net earnings per share, the number of shares and cash dividends declared have been adjusted to reflect the company's stock split that occurred on June 15, 2007.

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 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 Securities and Exchange Commission filings.



NET SALES SUMMARY  
(dollars in thousands)

		Fiscal Year Ended(1)					
		2009		2008		2007	
Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent

Business Divisions: