WESTERN ASSET GLOBAL HIGH INCOME FUND INC.
Form 3
June 05, 2013

FORM 3

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

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
Â Fuller Kenneth
(Last) (First) (Middle)

100 INTERNATIONAL DRIVE
(Street)

BALTIMORE,Â MDÂ 21202
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
06/01/2013

3. Issuer Name **and** Ticker or Trading Symbol
WESTERN ASSET GLOBAL HIGH INCOME FUND INC. [EHI]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) __X__ Other (specify below)
CEO, Pres. & Chairman / CEO & Pres. of Manager

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	0 (1)	D (1)	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
		Title			

Date Exercisable	Expiration Date	Amount or Number of Shares	or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Fuller Kenneth 100 INTERNATIONAL DRIVE BALTIMORE,Â MDÂ 21202	Â X	Â	Â CEO, Pres. & Chairman	CEO & Pres. of Manager

Signatures

/s/ George P. Hoyt by Power of Attorney for Kenneth D. Fuller	06/05/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The Reporting Person does not beneficially own any securities of the issuer, directly or indirectly.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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PART I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

ASSETS	Apr 4, 2015	Jan 3, 2015
Current assets:		
Cash and cash equivalents	$54,259	$43,945
Accounts receivable, net of reserve for doubtful accounts of $9,175 and $9,091	239,342	229,875
Inventories, net	276,383	255,776
Prepaid expenses and other	30,286	27,980
Prepaid taxes	10,023	5,538
Current deferred taxes	51,697	51,017
Total current assets	661,990	614,131
Property, plant and equipment, net of accumulated depreciation of $85,836 and $82,998	142,080	129,697
Goodwill	819,274	808,491
Other intangibles, net of amortization of $118,422 and $111,846	494,379	492,031
Long-term deferred tax assets	3,711	2,925
Other assets	21,402	18,856
Total assets	$2,142,836	$2,066,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$8,926	$9,402
Accounts payable	111,424	98,327
Accrued expenses	213,387	220,585
Total current liabilities	333,737	328,314
Long-term debt	630,108	588,765
Long-term deferred tax liability	92,241	88,800
Other non-current liabilities	58,313	53,492
Stockholders' equity:		
Preferred stock, $0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 95,000,000 shares authorized; 62,189,296 and 62,088,592 shares issued in 2015 and 2014, respectively	144	144
Paid-in capital	314,840	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	961,895	923,664
Accumulated other comprehensive loss	(47,580)	(31,431)
Total stockholders' equity	1,028,437	1,006,760
Total liabilities and stockholders' equity	$2,142,836	$2,066,131

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended	
	Apr 4, 2015	Mar 29, 2014
Net sales	$406,596	$372,478
Cost of sales	249,034	229,502
Gross profit	157,562	142,976
Selling and distribution expenses	47,109	46,970
General and administrative expenses	43,873	40,073
Income from operations	66,580	55,933
Interest expense and deferred financing amortization, net	3,749	3,987
Other expense, net	4,561	865
Earnings before income taxes	58,270	51,081
Provision for income taxes	20,039	17,636
Net earnings	$38,231	$33,445
Net earnings per share:		
Basic	$0.67	$0.59
Diluted	$0.67	$0.59
Weighted average number of shares		
Basic	56,917	56,457
Dilutive common stock equivalents[1]	1	2
Diluted	56,918	56,459
Comprehensive income	$22,082	$35,226

[1] There were no anti-dilutive equity awards excluded from common stock equivalents for any period presented.

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended	
	Apr 4, 2015	Mar 29, 2014
Cash flows from operating activities--		
Net earnings	$38,231	$33,445
Adjustments to reconcile net earnings to net cash provided by operating activities--		
Depreciation and amortization	11,232	10,521
Non-cash share-based compensation	2,029	1,938
Deferred taxes	2,975	12,800
Changes in assets and liabilities, net of acquisitions		
Accounts receivable, net	(5,209)	(15,786)
Inventories, net	(15,023)	(5,638)
Prepaid expenses and other assets	2,188	(21,873)
Accounts payable	8,333	(2,415)
Accrued expenses and other liabilities	(21,000)	(26,550)
Net cash provided by (used in) operating activities	23,756	(13,558)
Cash flows from investing activities--		
Additions to property and equipment	(6,117)	(3,231)
Acquisition of Viking Distributors 2014	—	(38,485)
Acquisition of Market Forge	—	(7,240)
Acquisition of Concordia, net of cash acquired	80	—
Acquisition of U-Line, net of cash acquired	275	—
Acquisition of Desmon, net of cash acquired	(13,947)	—
Acquisition of Goldstein Eswood	(27,406)	—
Acquisition of Marsal	(5,500)	—
Net cash used in investing activities	(52,615)	(48,956)
Cash flows from financing activities--		
Net proceeds under current revolving credit facilities	41,500	78,400
Net proceeds under foreign bank loan	432	5,463
Net repayments under other debt arrangement	(9)	(9)
Repurchase of treasury stock	(4,836)	(44,283)
Excess tax benefit related to share-based compensation	2,402	25,044
Net cash provided by financing activities	39,489	64,615
Effect of exchange rates on cash and cash equivalents	(316)	55
Changes in cash and cash equivalents--		
Net increase in cash and cash equivalents	10,314	2,156
Cash and cash equivalents at beginning of year	43,945	36,894
Cash and cash equivalents at end of period	$54,259	$39,050

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
APRIL 4, 2015
(Unaudited)

1) Summary of Significant Accounting Policies

A) Basis of Presentation

The condensed consolidated financial statements have been prepared by The Middleby Corporation (the "company" or “Middleby”), pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements are unaudited and certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the company's 2014 Form 10-K. The company’s interim results are not necessarily indicative of future full year results for the fiscal year 2015.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the company as of April 4, 2015 and January 3, 2015, the results of operations for the three months ended April 4, 2015 and March 29, 2014 and cash flows for the three months ended April 4, 2015 and March 29, 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions are used for, but are not limited to, 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. Actual results could differ from the company's estimates.

B) Non-Cash Share-Based Compensation

The company estimates the fair value of market-based stock awards and stock options at the time of grant and recognizes compensation cost over the vesting period of the awards and options. Non-cash share-based compensation expense was $2.0 million and $1.9 million for the first quarter periods ended April 4, 2015 and March 29, 2014, respectively.

During the first quarter ended April 4, 2015, the company issued 100,704 restricted shares under its 2011 Stock Incentive Plan. These amounts are contingent on the attainment of certain performance objectives. The aggregate grant-date fair value of these awards was $10.9 million, based on the closing share price of the company's stock at the date of the grant.

C) Income Taxes

As of January 3, 2015, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately $12.5 million (of which $12.2 million would impact the effective tax rate if recognized) plus approximately $1.7 million of accrued interest and $3.0 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of April 4, 2015, the company recognized a tax expense of $0.7 million for unrecognized tax benefits related to current year tax exposures.

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 approximately $0.5 million of its currently remaining unrecognized tax benefits may be recognized over the next twelve months as a result of lapses of statutes of limitations.

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Explanation of Responses:

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

United States - federal	2012 – 2014
United States - states	2005 – 2014
Australia	2011 – 2014
Brazil	2010 – 2014
Canada	2009 – 2014
China	2005 – 2014
Czech Republic	2013 – 2014
Denmark	2011 – 2014
France	2011 – 2014
Germany	2012 – 2014
India	2013 – 2014
Italy	2010 – 2014
Luxembourg	2011 – 2014
Mexico	2010 – 2014
Philippines	2012 – 2014
South Korea	2010 – 2011
Spain	2009 – 2014
Taiwan	2008 – 2012
United Kingdom	2011 – 2014

D) 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 and are categorized using the fair value hierarchy are as follows (in thousands):

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
As of April 4, 2015				
Financial Assets:				
Pension plans	$27,940	$1,115	$—	$29,055
Financial Liabilities:				
Interest rate swaps	$—	$1,609	$—	$1,609
Contingent consideration	$—	$—	$9,269	$9,269
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 April 4, 2015 relates to the earnout provisions recorded in conjunction with the acquisitions of Spooner Vicars, PES, Concordia, Desmon and Goldstein Eswood.

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

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

E) Consolidated Statements of Cash Flows

Cash paid for interest was $3.3 million and $3.7 million for the three months ended April 4, 2015 and March 29, 2014, respectively. Cash payments totaling $16.1 million and $6.8 million were made for income taxes for the three months ended April 4, 2015 and March 29, 2014, respectively.

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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 identifiable assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the identifiable 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.

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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.

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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. An additional deferred payment of $0.4 million was made in the fourth quarter of 2014 as provided for in the purchase agreement. Additional deferred payments of approximately $0.7 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.

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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 July 2014, the company purchased additional assets related to Wunder-Bar for approximately $0.8 million. An additional deferred payment of approximately $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 the 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 made in the first quarter of 2015 upon the achievement of certain financial targets.

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.

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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.

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Process 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)
Other non-current liabilities	(2,301)	(176)	(2,477)
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 refund from the seller of $0.1 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 8, 2014	Preliminary Measurement Period Adjustments	(as adjusted) Sep 8, 2014
Cash	$345	$—	$345
Current deferred tax asset	—	424	424
Current assets	3,767	(508)	3,259
Goodwill	11,255	(4,604)	6,651
Other intangibles	4,500	—	4,500
Long-term deferred tax asset	—	1,981	1,981
Current liabilities	(2,296)	16	(2,280)
Other non-current liabilities	(4,710)	2,611	(2,099)
Consideration paid at closing	$12,861	$(80)	$12,781
Contingent consideration	4,710	(2,611)	2,099
Net assets acquired and liabilities assumed	$17,571	$(2,691)	$14,880

The current and long term deferred tax assets amounted to $0.4 million and $2.0 million, respectively. These net assets are comprised of $3.5 million related to federal net operating loss carry forwards, $0.5 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of $1.6 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 $3.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles includes $0.8 million allocated to customer relationships and $0.7 million allocated to developed technology, which are each being amortized over a period of 5 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 years 2015 and 2016. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is $2.1 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.

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Explanation of Responses:

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 refund from the seller of $0.3 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) Nov 5, 2014	Preliminary Measurement Period Adjustments	(as adjusted) Nov 5, 2014
Cash	$12,764	$—	$12,764
Current deferred tax asset	657	—	657
Current assets	12,237	—	12,237
Property, plant and equipment	3,376	—	3,376
Goodwill	89,501	(275)	89,226
Other intangibles	57,500	—	57,500
Current liabilities	(6,032)	—	(6,032)
Long-term deferred tax liability	(13,095)	—	(13,095)
Other non-current liabilities	(2,111)	—	(2,111)
Net assets acquired and liabilities assumed	$154,797	$(275)	$154,522

The current deferred tax assets and long term deferred tax liabilities amounted to $0.7 million and $13.1 million, respectively. These net assets are comprised of $3.8 million related to federal and state net operating loss carry forwards, $1.3 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts, net of $17.5 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 $40.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles includes $17.5 million allocated to customer relationships, which is being amortized over a period of 7 years. 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.

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.

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 $14.4 million, net of cash acquired. 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 with the purchase agreement. The company expects to finalize this in the second quarter of 2015.

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) Jan 7, 2015
Cash	$441
Current deferred tax asset	535
Current assets	8,639
Property, plant and equipment	7,989
Goodwill	7,175
Other intangibles	3,129
Current liabilities	(8,668)
Long-term deferred tax liability	(2,389)
Other non-current liabilities	(2,463)
Consideration paid at closing	$14,388
Contingent consideration	2,416
Net assets acquired and liabilities assumed	$16,804

The current deferred tax assets and long term deferred tax liabilities amounted to $0.5 million and $2.4 million, respectively. These net liabilities are comprised of $1.0 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 $2.2 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, $0.1 million allocated to developed technology and $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 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 following each year end 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 $2.4 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.

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"). 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. 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 with the purchase agreement. The company expects to finalize this in the second quarter of 2015.

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) Jan 30, 2015
Current assets	$8,036
Property, plant and equipment	8,690
Goodwill	8,493
Other intangibles	5,648
Current liabilities	(1,806)
Other non-current liabilities	(1,655)
Consideration paid at closing	$27,406
Contingent consideration	1,655
Net assets acquired and liabilities assumed	$29,061

The goodwill and $4.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $1.4 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 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 following each year end 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 $1.7 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.

Explanation of Responses:

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 with the purchase agreement. The company expects to finalize this in the second quarter of 2015.

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) Feb 10, 2015
Current assets	$455
Property, plant and equipment	201
Goodwill	3,012
Other intangibles	2,027
Current liabilities	(195)
Net assets acquired and liabilities assumed	$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.

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.

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Pro forma financial information

In accordance with ASC 805 “Business Combinations”, the following unaudited pro forma results of operations for the years ended April 4, 2015 and March 29, 2014, assumes the 2015 acquisitions of Desmon, Goldstein Eswood and Marsal and the 2014 acquisitions of Market Forge, PES, Concordia and U-Line were completed on December 29, 2013 (first day of fiscal year 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):

	April 4, 2015	March 29, 2014
Net sales	$408,934	$405,100
Net earnings	38,525	36,633
Net earnings per share:		
Basic	0.68	0.65
Diluted	0.68	0.65

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, Goldstein Eswood and Marsal.

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.

4) 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 pending litigation will have a material effect on its financial condition, results of operations or cash flows.

5) Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 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. This update is effective for annual and corresponding interim reporting periods beginning on or after December 15, 2016. This update provides for two transition methods to the new guidance: a full retrospective or a modified retrospective adoption. On April 1, 2015, the FASB proposed deferring the effective date of ASU No. 2014-09, "Revenue from Contracts with Customers" by one year to December 15, 2017 for annual reporting periods beginning after that date and permitting early adoption of the standard but not before the original effective date of December 15, 2016. The company is evaluating the transition methods and the impact the application of this ASU will have, if any, on the company’s financial position, results of operations and cash flows.

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 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 2015-04, "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 no 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.

6) Other Comprehensive Income

The company reports changes in equity during a period, except those resulting from investments by owners and distributions to owners, in accordance with ASC 220, "Comprehensive Income."

Changes in accumulated other comprehensive income(1) were as follows (in thousands):

	Currency Translation Adjustment	Pension Benefit Costs	Unrealized Gain/(Loss) Interest Rate Swap	Total
Balance as of January 3, 2015	$(24,655)	$(6,540)	$(236)	$(31,431)
Other comprehensive income before reclassification	(15,791)	114	471	(15,206)
Amounts reclassified from accumulated other comprehensive income	—	—	(943)	(943)
Net current-period other comprehensive income	$(15,791)	$114	$(472)	$(16,149)
Balance as of April 4, 2015	$(40,446)	$(6,426)	$(708)	$(47,580)

(1) All amounts are net of tax.

Components of other comprehensive income were as follows (in thousands):

	Three Months Ended	
	Apr 4, 2015	Mar 29, 2014
Net earnings	$38,231	$33,445
Currency translation adjustment	(15,791)	1,574
Pension liability adjustment, net of tax	114	(57)
Unrealized gain on interest rate swaps, net of tax	(472)	264
Comprehensive income	$22,082	$35,226

7) 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 $31.4 million at April 4, 2015 and $30.2 million at January 3, 2015 and represented approximately 11.4% and 11.8% of the total inventory at each respective period. The amount of LIFO reserve at April 4, 2015 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 April 4, 2015 and January 3, 2015 are as follows:

	Apr 4, 2015	Jan 3, 2015
	(in thousands)	
Raw materials and parts	$136,199	$126,121
Work-in-process	21,738	17,828
Finished goods	118,446	111,827
	$276,383	$255,776

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8) Goodwill

Changes in the carrying amount of goodwill for the three months ended April 4, 2015 are as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of January 3, 2015	$450,890	$134,512	$223,089	$808,491
Goodwill acquired during the year	18,680	—	—	18,680
Measurement period adjustments to goodwill acquired in prior year	(10)	63	(275)	(222)
Exchange effect	(4,284)	(3,391)	—	(7,675)
Balance as of April 4, 2015	$465,276	$131,184	$222,814	$819,274

9) Accrued Expenses

Accrued expenses consist of the following:

	Apr 4, 2015	Jan 3, 2015
	(in thousands)	
Accrued payroll and related expenses	$49,376	$50,844
Advanced customer deposits	37,273	20,367
Accrued warranty	29,541	28,786
Accrued product liability and workers compensation	14,149	14,582
Accrued customer rebates	12,757	32,357
Product recall	11,821	12,125
Accrued agent commission	10,058	11,207
Accrued sales and other tax	7,032	7,660
Accrued professional services	6,999	7,053
Contingent consideration	6,619	9,200
Other accrued expenses	27,762	26,404
	$213,387	$220,585

10) 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, actual 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 is as follows:

	Three Months Ended Apr 4, 2015 (in thousands)
Balance as of January 3, 2015	$28,786
Warranty reserve related to acquisitions	—
Warranty expense	11,068
Warranty claims	(10,313)
Balance as of April 4, 2015	$29,541

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11) Financing Arrangements

	Apr 4, 2015	Jan 3, 2015
	(in thousands)	
Senior secured revolving credit line	$629,000	$587,500
Foreign loans	9,760	10,384
Other debt arrangement	274	283
Total debt	$639,034	$598,167
Less: Current maturities of long-term debt	8,926	9,402
Long-term debt	$630,108	$588,765

On August 7, 2012, the company entered into a new 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 April 4, 2015, the company had $629.0 million of borrowings outstanding under this facility. The company also had $9.6 million in outstanding letters of credit as of April 4, 2015, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was $361.4 million at April 4, 2015.

At April 4, 2015, borrowings under the senior secured credit facility were 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 April 4, 2015 the average interest rate on the senior debt amounted to 1.65%. 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 April 4, 2015.

In August 2006, the company completed its acquisition of Houno A/S in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. These facilities included a revolving credit facility and term loan. At April 4, 2015, these facilities amounted to $3.5 million in U.S. dollars, including $2.5 million outstanding under a revolving credit facility and $1.0 million under a term loan. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 2.80% on April 4, 2015. At April 4, 2015, the interest rate assessed on the term loan was 4.55%. The term loan matures in 2022.

In April 2008, the company completed its acquisition of Giga Grandi Cucine S.r.l in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At April 4, 2015, these facilities amounted to $0.9 million in U.S. dollars. The interest rate on the credit facilities is variable based on the three-month Euro LIBOR. At April 4, 2015, the average interest rate on these facilities was approximately 3.90%. The facilities are secured by outstanding accounts receivable collectible within six months.

In October 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. in India. At the time of the acquisition a local credit facility, denominated in Indian Rupee, was established to fund local working capital needs. At April 4, 2015, the facility amounted to $2.1 million in U.S. dollars. At April 4, 2015, borrowings under the facility were assessed at an interest rate at 1.25% above the Reserve Bank of India's base rate for long-term borrowings. At April 4, 2015, the average interest rate on this facility was approximately 10.50%.

In March 2014, Cozzini do Brazil LTDA entered into a local credit facility, denominated in Brazilian Real, to fund local working capital needs. At April 4, 2015, the facility amounted to $3.1 million in U.S. dollars and was assessed an interest rate of 1.50% above the Brazilian central bank CDI Rate. At April 4, 2015, the interest rate assessed on this facility was 12.60%. This local credit facility matures on March 28, 2016.

In January 2015, the company completed its acquisition of Desmon Food Service Equipment Company in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At April 4, 2015, these facilities amounted to $0.2 million in U.S. dollars, including $0.1 million outstanding on a local working capital loan and $0.1 million outstanding under a term loan. The interest rate on the working capital loan was 0.50% and the interest rate on the term loan was 6.92%. Both the working capital loan and the term loan mature on December 31, 2016.

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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 approximates 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 at April 4, 2015 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):

	Apr 4, 2015		Jan 3, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	$639,034	$639,034	$598,167	$598,167

The company believes that its current capital resources, including cash and cash equivalents, cash expected to be generated from operations, funds available from its current lenders and access to the credit and capital markets will be sufficient to finance its operations, debt service obligations, capital expenditures, product development and expenditures for the foreseeable future.

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 April 4, 2015, 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
$10,000,000	0.498%	2/11/2013	7/11/2015
$15,000,000	0.458%	2/11/2013	10/11/2015
$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

Explanation of Responses:

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; 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 April 4, 2015, the company was in compliance with all covenants pursuant to its borrowing agreements.

12) 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 a derivative does qualify as a hedge under ASC 815, changes in the fair value will either be offset against the change in the fair value of the hedged assets, liabilities or firm commitments or recognized in other accumulated 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.

Foreign Exchange: The company uses foreign currency forward and option 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 following table summarizes the forward and option contracts outstanding at April 4, 2015. The fair value of the forward and option contracts was a loss of $0.2 million at the end of the first quarter of 2015.

Sell		Purchase		Maturity
5,600,000	British Pounds	7,666,822	Euro Dollars	July 3, 2015
10,000,000	British Pounds	13,723,068	Euro Dollars	July 3, 2015
5,000,000	British Pounds	6,885,156	Euro Dollars	July 3, 2015
5,500,000	Euro Dollars	5,924,050	US Dollars	July 3, 2015
10,000,000	Euro Dollars	10,770,000	US Dollars	July 3, 2015
4,700,000	Euro Dollars	5,061,900	US Dollars	July 3, 2015
15,000,000	Australian Dollars	11,326,500	US Dollars	July 3, 2015
10,000,000	Australian Dollars	7,551,000	US Dollars	July 3, 2015
10,000,000	Australian Dollars	7,558,000	US Dollars	July 3, 2015
7,500,000	Canadian Dollars	5,847,953	US Dollars	July 3, 2015
10,000,000	Brazilian Real	2,748,763	US Dollars	December 15, 2015

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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 April 4, 2015, the fair value of these instruments was a liability of $1.6 million. The change in fair value of these swap agreements in the first three months of 2015 was a loss of $0.5 million, net of taxes.
The following tables summarize the company's fair value of interest rate swaps (in thousands):

	Condensed Consolidated Balance Sheet Presentation	Apr 4, 2015	Jan 3, 2015
Fair value	Other non-current liabilities	$(1,609)	$(810)

The impact on earnings from interest rate swaps was as follows (in thousands):

		Three Months Ended	
	Presentation of Gain/(loss)	Apr 4, 2015	Mar 29, 2014
Gain/(loss) recognized in accumulated other comprehensive income	Other comprehensive income	$(1,297)	$(103)
Gain/(loss) reclassified from accumulated other comprehensive income (effective portion)	Interest expense	$(485)	$(543)
Gain/(loss) recognized in income (ineffective portion)	Other expense	$13	$31

Interest rate swaps are subject to default risk to the extent the counterparties are unable to satisfy their settlement obligations under the interest rate swap agreements. The company reviews the credit profile of the financial institutions and assesses its creditworthiness prior to entering into the interest rate swap agreements. 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 agreements.

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13) 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 cooking 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, Jade, Lang, Lincat, MagiKitch’n, Market Forge, Marsal, Middleby Marshall, MPC, Nieco, Nu-Vu, PerfectFry, Pitco, Southbend, Star, Toastmaster, TurboChef, Viking, 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, Australia, France and Germany. 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 and Stewart Systems.

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in Mississippi and Wisconsin. Principal product lines of this group are ranges, ovens, refrigerators, dishwashers, microwaves, cooktops and outdoor equipment. These products are sold and marketed under the brand names of Brigade, Jade, 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.

Net Sales Summary
(dollars in thousands)

	Three Months Ended					
	Apr 4, 2015			Mar 29, 2014		
	Sales	Percent		Sales	Percent	
Business Segments:						
Commercial Foodservice	$262,216	64.5	%	$234,050	62.8	%
Food Processing	69,819	17.2		75,586	20.3	
Residential Kitchen	74,561	18.3		62,842	16.9	
Total	$406,596	100.0	%	$372,478	100.0	%

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

	Commercial Foodservice	Food Processing	Residential Kitchen	Corporate and Other(2)	Total
Three Months Ended April 4, 2015					
Net sales	$262,216	$69,819	$74,561	$—	$406,596
Income (loss) from operations	63,726	13,310	4,941	(15,397)	66,580
Depreciation and amortization expense	5,266	1,437	4,129	400	11,232
Net capital expenditures	4,624	355	1,060	78	6,117
Total assets	$1,117,585	$309,829	$635,388	$80,034	$2,142,836
Three Months Ended March 29, 2014					
Net sales	$234,050	$75,586	$62,842	$—	$372,478
Income (loss) from operations	54,962	12,122	207	(11,358)	55,933
Depreciation and amortization expense	4,884	2,121	3,091	425	10,521
Net capital expenditures	2,243	449	539	—	3,231
Total assets	$1,020,845	$308,442	$491,465	$95,090	$1,915,842

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

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Geographic Information

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

	Apr 4, 2015	Mar 29, 2014
United States and Canada	$129,397	$115,537
Asia	13,727	5,156
Europe and Middle East	22,596	16,291
Latin America	1,473	1,930
Total international	$37,796	$23,377
	$167,193	$138,914

Net sales (in thousands):

	Three Months Ended	
	Apr 4, 2015	Mar 29, 2014
United States and Canada	$296,484	$259,100
Asia	48,529	33,806
Europe and Middle East	42,984	59,805
Latin America	18,599	19,767
Total international	$110,112	$113,378
	$406,596	$372,478

14) Employee Retirement Plans

(a) Pension 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 employees participating in the defined benefit plan were enrolled in a newly established 401K savings plan on July 1, 2002, further described below.

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 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 also maintains a retirement benefit agreement with its Chairman. The retirement benefits are based upon a percentage of the Chairman’s final base salary.

(b)

Explanation of Responses: