UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 5, 2009**

THE MIDDLEBY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**1-9973**	**36-3352497**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1400 Toastmaster Drive, Elgin, Illinois	**60120**
(Address of Principal Executive Offices)	(Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On January 5, 2009, the The Middleby Corporation (the "Company"), through its wholly-owned subsidiary Chef Acquisition Corp. ("Merger Sub") completed its acquisition of TurboChef Technologies, Inc. ("TurboChef"). Pursuant to an agreement and plan of merger, dated as of August 12, 2008 and amended November 21, 2008, (the "Merger Agreement") by and among the Company, Merger Sub and TurboChef, TurboChef merged with and into Merger Sub, with Merger Sub becoming a wholly-owned subsidiary of the Company. The Company purchased TurboChef in a stock and cash transaction valued at approximately $160.3 million. Pursuant to the Merger Agreement, at the effective time of the merger, each share of TurboChef common stock, subject to certain exceptions, was converted into the right to receive $3.67 in cash, without interest, and 0.0486 of a share of common stock of the Company.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

(1) TurboChef Technologies, Inc. Audited Consolidated Balance Sheets as of December 31, 2007 and 2006 and the Related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the Three Years in the period ended December 31, 2007 and the Report of Independent Registered Public Accounting Firm related thereto, filed as Exhibit 99.1 hereto and incorporated by reference herein.

(2) TurboChef Technologies, Inc. Unaudited Condensed Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007, and the Related Unaudited Condensed Consolidated Statements of Operations and Cash Flows for the Nine Months ended September 30, 2008 and 2007, filed as Exhibit 99.2 hereto and incorporated by reference herein.

(b) Pro Forma Financial Information

The pro forma financial information required by this item with respect to the transaction are filed as Exhibit 99.3 hereto and incorporated by reference herein:

(c) Not applicable.

(d) Exhibits.

Exhibit No.	Description
Exhibit 23.1	Consent of Ernst & Young LLP.
Exhibit 99.1	TurboChef Technologies, Inc. Audited Consolidated Balance Sheets as of December 31, 2007 and 2006 and the Related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the Three Years in the period ended December 31, 2007 and the Independent Auditors' Report related thereto.
Exhibit 99.2	TurboChef Technologies, Inc. Unaudited Condensed Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007, and the Related Unaudited Condensed Consolidated Statements of Operations and Cash Flows for the Nine Months Ended September 30, 2008 and 2007.
Exhibit 99.3	Unaudited Pro Forma Condensed Consolidated Financial Information.

SIGNATURES

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

THE MIDDLEBY CORPORATION

Dated: January 9, 2009

By: /s/ Timothy J. FitzGerald
Timothy J. FitzGerald
Vice President and
Chief Financial Officer

Exhibit Index

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-142588 and 333-128304) of The Middleby Corporation of our reports dated February 29, 2008, with respect to the consolidated financial statements and schedule of TurboChef Technologies, Inc. and the effectiveness of internal control over financial control over financial reporting of TurboChef Technologies, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2007, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Atlanta, Georgia
January 8, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
TurboChef Technologies, Inc.

We have audited the accompanying consolidated balance sheets of TurboChef Technologies, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TurboChef Technologies, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* in 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of TurboChef Technologies, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 29, 2008

TURBOCHEF TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 10,149	$ 19,675
Accounts receivable, net of allowance of $195 and $162	38,657	11,001
Other receivables	2,502	2,771
Inventory, net	11,883	11,737
Prepaid expenses	3,307	2,128
Total current assets	66,948	47,312
Property, plant and equipment, net	6,728	7,944
Developed technology, net of accumulated amortization of $2,914 and $2,107	5,156	5,963
Goodwill	5,934	5,934
Covenants not-to-compete, net of accumulated amortization of $1,286 and $726	4,314	4,874
Other assets	91	174
Total assets	$ 88,721	$ 72,201
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	20,178	9,200
Accrued expenses	9,894	3,103
Future installments due on covenants not-to-compete and additional consideration for assets acquired	3,801	3,793
Amounts outstanding under credit facility	9,000	—
Deferred revenue	9,554	3,403
Accrued warranty	558	1,889
Deferred rent	247	247
Other current liabilities	1,908	—
Total current liabilities	55,140	21,635
Future installments due on covenants not-to-compete and additional consideration for assets acquired, non-current	—	3,550
Deferred rent, non-current	974	1,218
Other liabilities	100	93
Total liabilities	56,214	26,496
Stockholders' equity:		
Preferred stock, $1 par value, authorized 5,000,000 shares, 0 shares issued	—	—
Preferred membership units exchangeable for shares of TurboChef common stock	380	384
Common stock, $.01 par value, authorized 100,000,000 shares; issued 29,568,325 and 29,197,145 shares at December 31, 2007 and 2006, respectively	296	292
Additional paid-in capital	173,857	169,821
Accumulated deficit	(142,026)	(124,792)
Total stockholders' equity	32,507	45,705
Total liabilities and stockholders' equity	$ 88,721	$ 72,201

The accompanying notes are an integral part of these consolidated financial statements.

TURBOCHEF TECHNOLOGIES, INC

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

	Years Ended December 31,		
	2007	2006	2005
Revenues:			
Product sales	$ 107,003	$ 47,403	$ 50,239
Royalties	1,103	1,266	2,010
Total revenues	108,106	48,669	52,249
Costs and expenses			
Cost of product sales	66,645	31,929	43,532
Research and development	5,177	4,357	4,307
Purchased research and development	—	7,665	6,285
Selling, general and administrative	53,427	29,027	33,777
Restructuring	—	(41)	621
Total costs and expenses	125,249	72,937	88,522
Operating loss	(17,143)	(24,268)	(36,273)
Other income (expense):			
Interest income	638	1,300	1,536
Interest expense and other	(729)	(436)	(332)
	(91)	864	1,204
Loss before income taxes	(17,234)	(23,404)	(35,069)
Provision for income taxes	—	—	—
Net loss	$ (17,234)	$ (23,404)	$ (35,069)
Per share data:			
Net loss per share:			
Basic and diluted	$ (0.59)	$ (0.81)	$ (1.25)
Weighted average number of common shares outstanding:			
Basic and diluted	29,294,596	28,834,821	28,034,103

The accompanying notes are an integral part of these consolidated financial statements.

TURBOCHEF TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	Preferred Stock			Common Stock			
	Shares	Amount	Preferred Membership Units	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit
Balance, January 1, 2005	—	—	6,351	24,313,158	$ 243	$ 93,550	$ (66,319)
Net loss	—	—	—	—	—	—	(35,069)
Issuance of common stock in public offering, net of issuance costs	—	—	—	2,925,000	29	54,810	—
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	(5,384)	518,032	5	5,379	—
Exercise of options and warrants for common stock	—	—	—	807,278	8	3,064	—
Issuance of common stock for acquisition of intangible assets	—	—	—	60,838	1	992	—
Proceeds from notes receivable for stock issuances	—	—	—	—	—	—	—
Compensation expense, primarily related to stock options granted for services	—	—	—	—	—	7,115	—
Other	—	—	—	(59)	—	(3)	—
Balance, December 31, 2005	—	—	967	28,624,247	286	164,907	(101,388)
Net loss	—	—	—	—	—	—	(23,404)
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	(583)	56,093	1	582	—
Exercise of options and warrants for common stock	—	—	—	342,106	3	2,171	—
Issuance of common stock for acquisition of intangible assets	—	—	—	169,365	2	1,871	—
Compensation expense, primarily related to restricted stock granted for services	—	—	—	5,334	—	290	—
Balance, December 31, 2006	—	—	384	29,197,145	$ 292	$ 169,821	$ (124,792)
Net loss	—	—	—	—	—	—	(17,234)
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	(4)	414	—	4	—
Exercise of options and warrants for common stock	—	—	—	225,307	2	2,018	—
Issuance of common stock for acquisition of intangible assets	—	—	—	124,381	2	1,520	—
Compensation expense, primarily related to restricted stock granted for services	—	—	—	21,078	—	1,823	—
Tender offer and option amendments	—	—	—	—	—	(1,329)	—
Balance, December 31, 2007	—	—	380	29,568,325	$ 296	$ 173,857	$ (142,026)

The accompanying notes are an integral part of these consolidated financial statements.

TURBOCHEF TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	Notes Receivable For Stock Issuances	Treasury Stock	Total Stockholders' Equity
Balance, January 1, 2005	$ (46)	$ —	$ 33,779
Net loss	—	—	(35,069)
Issuance of common stock in public offering, net of issuance costs	—	—	54,839
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	—
Exercise of options and warrants for common stock	—	—	3,072
Issuance of common stock for acquisition of intangible assets	—	—	993
Proceeds from notes receivable for stock issuances	46	—	46
Compensation expense, primarily related to stock options granted for services	—	—	7,115
Other	—	—	(3)
Balance, December 31, 2005	—	—	64,772
Net loss	—	—	(23,404)
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	—
Exercise of options and warrants for common stock	—	—	2,174
Issuance of common stock for acquisition of intangible assets	—	—	1,873
Compensation expense, primarily related to restricted stock granted for services	—	—	290
Balance, December 31, 2006	—	—	45,705
Net loss	—	—	(17,234)
Issuance of common stock in exchange for Enersyst preferred membership units	—	—	—
Exercise of options and warrants for common stock	—	—	2,020
Issuance of common stock for acquisition of intangible assets	—	—	1,522
Compensation expense, primarily related to restricted stock granted for services	—	—	1,823
Tender offer and option amendments	—	—	(1,329)
Balance, December 31, 2007	$ —	$ —	$ 32,507

The accompanying notes are an integral part of these consolidated financial statements.

TURBOCHEF TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Years Ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net loss	$ (17,234)	$ (23,404)	$ (35,069)
Adjustments to reconcile net loss to net cash used in operating activities:			
Purchased research and development	—	7,665	6,285
Depreciation and amortization	4,069	3,854	2,796
Non-cash interest	470	391	203
Non-cash equity compensation expense	2,402	290	7,115
Amortization of deferred rent	(236)	(244)	(122)
Non-cash restructuring costs	—	—	125
Provision for doubtful accounts	326	147	98
Foreign exchange loss (gain)	(6)	8	76
Changes in operating assets and liabilities, net of effects of acquisition:			
Restricted cash	—	—	3,196
Accounts receivable	(27,976)	(3,834)	2,196
Inventories	(729)	(1,445)	(3,590)
Prepaid expenses and other assets	(954)	(2,140)	(2,342)
Accounts payable	10,978	1,581	(2,311)
Accrued expenses and warranty	5,460	(1,023)	245
Deferred revenue	6,151	1,042	911
Net cash used in operating activities	(17,279)	(17,112)	(20,188)
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	—	—	(192)
Acquisition of intangible assets	(2,349)	(2,349)	(7,292)
Purchase of property and equipment, net	(768)	(3,111)	(3,098)
Other	—	—	128
Net cash used in investing activities	(3,117)	(5,460)	(10,454)
Cash flows from financing activities:			
Proceeds from the sale of common stock, net	—	—	54,839
Proceeds from the exercise of stock options and warrants	2,020	2,174	3,072
Borrowings under credit facility	9,000	—	—
Payment of deferred loan costs	(150)	(25)	(156)
Other	—	—	43
Net cash provided by financing activities	10,870	2,149	57,798
Net (decrease) increase in cash and cash equivalents	(9,526)	(20,423)	27,156
Cash and cash equivalents at beginning of year	19,675	40,098	12,942
Cash and cash equivalents at end of year	$ 10,149	$ 19,675	$ 40,098
Supplemental disclosures of noncash activities:			
Noncash investing activity—landlord funded leasehold improvements	$ —	$ —	$ 1,832
Noncash investing and financing activity — liability recorded in connection with intangible assets	—	5,792	3,600
Noncash investing activity—issuance of common stock in exchange for intangible assets	1,520	1,873	993
Noncash financing activity—tender offer and option amendments	1,908	—	—
Noncash financing activity—issuance of common stock in exchange for preferred membership units	4	583	5,384
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$ —	$ —	$ 236
Cash paid for interest	228	38	50

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1. NATURE OF OPERATIONS AND GENERAL

TurboChef Technologies, Inc. (the "Company") was incorporated in 1991 and became a Delaware corporation in 1993. The Company is a leading provider of equipment, technology and services focused on the high speed preparation of food products. The Company's customizable commercial speed cook ovens cook food products at high speeds with food quality comparable, and in many cases superior, to conventional heating methods. Through 2005, the Company's primary markets were with commercial food service operators throughout North America, Europe and Australia and management believes that, for 2005 and prior, the Company operated in one primary business segment. However, during 2005, the Company took several steps designed to take its technologies to residential consumers, including market research, related industrial design research and product development and exploration of distribution channels for a proposed residential oven product line. The launch of the residential product line created an additional business segment for the Company of which the recently introduced 30″ Double Wall Oven is the inaugural product offering.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the application of certain accounting policies described below and elsewhere in the notes to the financial statements.

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of TurboChef Technologies Inc. and its majority-owned and controlled company. Significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on certain assumptions which they believe are reasonable in the circumstances and actual results could differ from those estimates. The more significant estimates reflected in these financial statements include warranty, accrued expenses and valuation of stock-based compensation.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts owed to the Company for the sale of its products in the normal course of business. Accounts receivable consist principally of monies owed in US Dollars and are reported net of allowance for doubtful accounts. Generally, no collateral is received from customers and additions to the allowance are based on ongoing credit evaluations of customers with general credit experience being within the range of management's expectations. Accounts are reviewed regularly for collectibility and those deemed uncollectible are written off.

Inventories

Inventories are valued at the lower of cost, determined using the average cost method, or market and primarily consist of ovens (finished goods) and parts for use in production or as replacements. The Company establishes reserves for inventory estimated to be obsolete, unmarketable or slow moving on a case by case basis, equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand, technology changes and market conditions. Ovens used for demonstration and testing are generally depreciated over a one-year period. Depreciation for demonstration ovens was $584,000, $784,000 and $780,000 for the years ended December 31, 2007, 2006 and 2005 respectively. Inventory consists of the following at December 31 (in thousands):

	2007	2006
Finished goods – ovens	$ 3,835	$ 4,154
Demonstration inventory, net	595	224
Parts inventory, net	6,734	6,933
	11,164	11,311
Costs of inventory subject to a deferred revenue relationship	719	426
	$ 11,883	$ 11,737

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets and accelerated methods for income tax purposes. Leasehold improvements are depreciated over the lesser of their expected useful life or the remaining lease term.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price of net tangible and intangible assets acquired in business combinations over their estimated fair values. Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, requires goodwill and other acquired intangible assets that have an indefinite useful life to no longer be amortized; however, these assets must undergo an impairment test annually or more frequently if facts and circumstances warrant a review. Goodwill is allocated and reviewed for impairment by reporting units, which consists of the operating segments. The annual goodwill impairment test, completed in October 2007, concluded that the carrying amount of goodwill was not impaired and there have been no developments subsequent to October 2007 that would indicate impairment exists. The goodwill impairment review will continue to be performed annually or more frequently if facts and circumstances warrant a review.

SFAS No. 142 also requires that intangible assets with definite lives be amortized over their estimated useful life and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Currently, acquired developed technology and covenants not-to-compete are both amortized using the straight line method over estimated useful lives of 10 years and the Company recorded $1.4 million, in the aggregate, of amortization expense for 2007 and 2006, and $973,000, in the aggregate, of amortization expense for 2005 for these long-lived intangible assets. Annual amortization for each of the next five years will approximate $1.4 million.

Other Assets

Other assets consist primarily of deferred financing costs for transactions completed in 2007 and capitalized patent costs, which include outside legal fees incurred in the registration of the Company's patents. These costs are amortized over their economic lives, ranging from one to ten years. Amortization of other assets was $135,000, $53,000 and $42,000 for the years ended December 31, 2007, 2006 and 2005 respectively.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated sales expenses. Management believes no impairment exists as of December 31, 2007.

Product Warranty

The Company's ovens are warranted against defects in material and workmanship for a period of one year ("OEM Warranties"). Additionally, the Company offers to certain customers extended warranties ("ESP Warranties"). In 2007, the Company entered into an agreement with an insurance company to insure its obligations under the OEM and ESP Warranties. The Company remits premiums to the insurance company and submits for reimbursement all eligible claims made under the OEM and ESP Warranties. Premiums are recorded as a component of cost of product sales at the time products are sold for OEM Warranties and over the term of the extended warranty coverage for ESP Warranties. Premiums will be reviewed and may be adjusted prospectively to reflect actual and anticipated experience.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturity of these instruments. The carrying amount outstanding under the credit facility approximates fair value because the interest rate reflects the rate the Company would be able to obtain on debt with similar terms and conditions.

Revenue Recognition

Revenue from product sales, which includes all revenues except royalty revenues, are recognized when no significant vendor obligation remains, title to the product passes (depending on terms, either upon shipment or delivery), and the customer has the intent and ability to pay in accordance with contract payment terms that are fixed and determinable. Certain customers may purchase installation services. Revenue from these services are deferred and recognized when the installation service is performed. Certain customers may purchase extended warranty coverage. Revenue from sales of extended warranties is deferred and recognized in product sales on a straight-line basis over the term of the extended warranty contract. Royalty revenues are recognized based on the sales dates of licensees' products and service revenues are recorded based on attainment of scheduled performance milestones. The Company reports its revenue net of any sales tax collected.

Our product sales sometimes involve multiple elements (i.e., products, extended warranties and installation services). Revenue under multiple element arrangements is accounted for in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-21, *"Accounting for Revenue Arrangements with Multiple Deliverables"*. Under this method, for elements determined to be separate units of accounting, revenue is allocated based upon the relative fair values of the individual components.

The Company provides for returns on product sales based on historical experience and adjusts such reserves as considered necessary. Reserves for sales returns and allowances are recorded in the same accounting period as the related revenues and are not significant for any of the periods presented.

Deferred revenue includes amounts billed to customers for which revenue has not been recognized. Deferred revenue consists primarily of sales deposits, unearned revenue from extended warranty contracts and other amounts billed to customers where the sale transaction is not yet complete and, accordingly, revenue cannot be recognized.

Cost of Product Sales

Cost of product sales is calculated based upon the cost of the oven, the cost of any accessories supplied with the oven, an allocation of cost for applicable delivery, duties and taxes and a warranty provision. Cost of product sales also includes cost of replacement parts and accessories and cost of labor, parts and payments to third parties in connection with fulfilling extended warranty contracts. For extended warranty contracts sold prior to the insurance program discussed above, the Company compares expected expenditures on extended warranty contracts to the deferred revenue over the remaining life of the contracts, and if the expenditures are anticipated to be greater than the remaining deferred revenue the Company records a charge to cost of product sales for the difference. Cost of product sales does not include any cost allocation for administrative and technical support services required to deliver or install the oven or an allocation of costs associated with the quality control of the Company's contract manufacturers. These costs are recorded within selling, general and administrative expenses. Cost of product sales also does not attribute any allocation of compensation or general and administrative expenses to royalty and services revenues.

Shipping and Handling Costs

Shipping and handling charges billed to customers are recorded as revenues; the corresponding costs are included in cost of goods sold.

Research and Development Expenses

Research and development expenses consist of salaries and other related costs incurred for personnel and departmental operations in planning, design and testing of the speed cook ovens. Research and development expenditures are charged to operations as incurred.

Purchase of In-Process Research and Development

Amounts allocated to the purchase of in-process research and development ("IPRD") include the value of products in the development stage that are not considered to have reached technological feasibility or to have alternative future use.

Advertising Expenses

Advertising and promotion costs, including expenses related to trade shows, are expensed as incurred and amounted to $8.9 million, $3.5 million and $2.4 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Foreign Exchange

For the year ended December 31, 2007, approximately 12% of our revenues were derived from sales outside of the United States. For the years ended December 31, 2006 and 2005, approximately 18% and 22%, respectively, of the Company's revenues were derived from sales outside of the United States. Less than 10% of these sales and subsequent accounts receivable and selling, general and administrative expenses for the years ended December 31, 2007, 2006 and 2005 were denominated in foreign currencies. The Company is subject to risk of financial loss resulting from fluctuations in exchange rates of foreign currencies against the US dollar. At this time, the Company does not engage in any hedging activities.

Restructuring Charges

The Company classified certain expenses in 2006 related to a restructuring plan to reorganize its international operations and re-align the related resources and cost structure as restructuring charges. The expenses related to the closing of a location that served markets where the Company continues to have a presence and, accordingly, the results of those operations are included in continuing operations. Restructuring expenses included severance, lease termination, professional fees and write-off of leasehold improvements.

Accounting for Leases

The Company leases office and warehouse space under operating lease agreements with original lease periods up to 7.5 years. Certain of the lease agreements contain renewal and rent escalation provisions. Rent escalation provisions are considered in determining straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term. Landlord allowances for improvements to leaseholds are included in property and equipment and offset by a corresponding deferred rent credit. The Company amortizes the leasehold improvements over the shorter of the life of the improvements or the life of the lease. The deferred rent credit is included in other liabilities (current and long term) in the accompanying balance sheets and will be amortized as a reduction of rent expense over the term of the applicable lease.

Income Taxes

The Company accounts for income taxes using the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred income tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date. The Company recognizes and adjusts the deferred tax asset valuation allowance based on judgments as to future realization of the deferred tax benefits supported by demonstrated trends in the Company's operating results.

Loss Per Common Share

Basic earnings per share is computed by dividing net loss by the weighted-average number of common shares outstanding during each period. Diluted earnings per common share is calculated by dividing net income, adjusted on an "as if converted" basis, by the weighted-average number of actual shares outstanding and, when dilutive, the share equivalents that would arise from the assumed conversion of convertible instruments. The effect of potentially dilutive stock options and warrants is calculated using the treasury stock method. For the year ended December 31, 2007, the potentially dilutive securities include options and restricted stock units, convertible into 3.5 million shares of common stock; an indeterminate number of shares issuable in the future to settle the dollar denominated restricted stock units issued in connection with the tender offer and amendment of options completed in December 2007; Enersyst Development Center, LLC ("Enersyst") preferred membership units exchangeable for 37,000 shares of common stock and an indeterminate number of shares issuable in the future to settle the equity portion of the Company's liability for additional consideration due under an asset acquisition agreement. For the year ended December 31, 2006, the potentially dilutive securities include options, warrants and restricted stock units, convertible into 3.3 million shares of common stock; Enersyst Development Center, LLC ("Enersyst") preferred membership units exchangeable for 37,000 shares of common stock and an indeterminate number of shares issuable in the future to settle the equity portion of the Company's liability for additional consideration due under an asset acquisition agreement. For the years ended December 31, 2007, 2006 and 2005, all of the potentially dilutive securities were excluded from the calculation of shares applicable to loss per share, because their inclusion would have been anti-dilutive.

Stock-Based Employee Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, a revision of SFAS No. 123 (SFAS No. 123R), using the modified prospective method. SFAS No. 123R requires measurement of compensation cost for all stock-based awards at fair value on the grant date and recognition of compensation expense over the requisite service period for awards expected to vest. The fair value of stock option grants is determined using the Black-Scholes valuation model, which is consistent with the valuation techniques previously utilized for options in footnote disclosures required under SFAS No. 123, *Accounting for Stock Based Compensation*, ("SFAS No. 123") as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("SFAS No. 148"). The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of our common stock on the grant date. Such fair values will be recognized as compensation expense over the requisite service period, net of estimated forfeitures, using the straight-line method under SFAS No. 123R.

Prior to January 1, 2006, the Company accounted for stock-based awards under the intrinsic value method. Under the intrinsic value method, no compensation expense was recognized for stock options granted to employees with exercise prices equal or greater than the market value of the underlying stock on the dates of grant. Compensation expense, net of forfeitures, has been recognized for periods prior to January 1, 2006; for certain stock options granted with an exercise price lower than the fair market value of our common stock on the measurement date as determined by the findings of a recently completed review of the Company's option grants since 1994. The compensation expense is equal to the excess of fair market value of our common stock over the exercise price on the measurement date. The compensation expense was amortized on a straight-line basis over the vesting period, all of which was recognized when the Company accelerated the vesting terms of all outstanding options at December 31, 2005.

The table below presents a reconciliation of the Company's pro forma net income giving effect to the estimated compensation expense related to stock options that would have been reported if the Company utilized the fair value method for the year ended December 31, 2005 (in thousands, except per share amounts):

Net loss applicable to common stockholders, as reported	$	(35,069)
Add: Employee stock-based compensation expense		(6,936)
Deduct: Employee stock-based compensation expense, net of forfeitures		(19,882)
Pro forma net loss applicable to common stockholders	$	(48,015)
Net loss applicable to common stockholders per share—basic and diluted:		
As reported	$	(1.25)
Pro forma		(1.71)

For purposes of computing pro forma net loss, we estimate the fair value of option grants using the Black-Scholes option pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics not present in our employee stock options. Additionally, option valuation models require the input of highly subjective assumptions, including the expected volatility of the stock price. Because our employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models may not provide a reliable single measure of the fair value of its stock-based awards.

For purposes of the pro forma disclosures, the assumptions used to value the option grants are stated as follows for the year ended December 31, 2005:

Expected life (in years)	2-3
Volatility	63%
Risk free interest rate—options	4.07-4.61%
Dividend yield	0.0%
Weighted average fair value of option grants — Black-Scholes model	6.54

During the year ended December 31, 2007, the Company issued 570,000 restricted stock units to certain employees and non-employee members of the board of directors. These restricted stock units had a weighted average fair value of $15.41 per unit and the aggregate fair value was $8.8 million. The fair value of these awards was based upon the market price of the underlying common stock as of the date of grant. Of these awards, 537,000 vest over a five-year period with the remaining vesting over one- and two-year periods, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares could vest earlier in the event of a change in control, merger or other acquisition, or upon termination for disability or death. The shares of common stock will be issued at vesting. During the year ended December 31, 2006, the Company issued 83,000 restricted stock units to certain employees and non-employee members of the board of directors. These restricted stock units had a weighted average fair value of $12.84 per unit and the aggregate fair value was $1.1 million. The fair value of these awards was based upon the market price of the underlying common stock as of the date of grant. Of these awards, 40,000 vest at the end of a two-year period, with the remaining awards vesting over one-, two- and three-year periods from the date of grant, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares could vest earlier in the event of a change in control, merger or other acquisition, or upon termination for disability or death. The shares of common stock will be issued at vesting, or, in some cases, at a deferred payout date. Stock based compensation expense related to the awards was $1.8 million for the year ended December 31, 2007. For the year ended December 31, 2007, stock-based compensation expense of $140,000 is included in research and development expenses, $12,000 is included in cost of product sales, and the remainder is included in selling, general, and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2006, include $290,000 recognized as stock-based compensation expense for these awards. At December 31, 2007, the unrecognized compensation expense related to restricted stock awards is $7.7 million with a remaining weighted average life of 2.0 years.

On December 7, 2007, the Company completed a tender offer that allowed 30 employees to amend or cancel certain options to remedy potential adverse personal tax consequences. Additionally, the Company entered into an agreement with four officers of the Company not eligible to participate in the tender offer to amend their options to also remedy potential adverse personal tax consequences. As a result, the Company amended 572,000 options granted after October 29, 2003 that, for financial reporting purposes, were or may have been granted at a discount to increase the option grant price to the fair market value on the date of grant and issued to the employee a dollar denominated RSU for the difference in option grant price between the amended option and the original discounted price. The dollar denominated RSU will be settled in shares on March 7, 2008. The Company accounted for these modifications and settlements in accordance with SFAS 123R and as a result recorded incremental compensation expense of $579,000 during the three months ended December 31, 2007 and recognized a liability of $1.9 million for the dollar denominated RSU's (presented as an other current liability) with a resulting net decrease to additional paid-in-capital of $1.3 million.

The fair value of amended options was determined using the Black-Scholes option valuation model with the following weighted average assumptions:

Expected life (in years)	1.64
Volatility	44.43%
Risk free interest rate—options	3.04-3.13%
Dividend yield	0.0%

NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation clarifies the application of SFAS No. 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. The interpretation would require the Company to review all tax positions accounted for in accordance with SFAS No. 109 and apply a more-likely-than-not recognition threshold. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Subsequent recognition, de-recognition, and measurement is based on management's best judgment given the facts, circumstances and information available at the reporting date. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted the requirements of this statement as of January 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements; however, this statement does not require any new fair value measurements. The definition of fair value retains the exchange price notion in earlier definitions of fair value. This Statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions based on market data and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. This Statement clarifies that market participant assumptions include assumptions about risk and assumptions about the effect of a restriction on the sale or use of an asset and clarifies that a fair value measurement for a liability reflects its nonperformance risk. This Statement expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of this statement to have a material effect on the financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of which is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Eligible items for the measurement option include all recognized financial assets and liabilities except: investments in subsidiaries, interests in variable interest entities, employers' and plans' obligations for pension benefits, assets and liabilities recognized under leases, deposit liabilities, financial instruments that are a component of shareholder's equity. Also included are firm commitments that involve only financial instruments, nonfinancial insurance contracts and warranties and host financial instruments. The statement permits all entities to choose at specified election dates, after which the entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings, at each subsequent reporting date. The fair value option may be applied instrument by instrument; however, the election is irrevocable and is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Adoption of this statement will not have a material effect on the financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. SFAS No. 141R changes accounting for business combinations through a requirement to recognize 100 percent of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Other requirements include capitalization of acquired in-process research and development assets, expensing, as incurred, acquisition-related transaction costs and capitalizing restructuring charges as part of the acquisition only if requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities,* are met. SFAS No. 141R is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The implementation of this guidance will affect the Company's results of operations and financial position after its effective date only to the extent it completes applicable business combinations and therefore the impact can not be determined at this time.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 establishes the economic entity concept of consolidated financial statements, stating that holders of residual economic interest in an entity have an equity interest in the entity, even if the residual interest is related to only a portion of the entity. Therefore, SFAS No. 160 requires a noncontrolling interest to be presented as a separate component of equity. SFAS No. 160 also states that once control is obtained, a change in control that does not result in a loss of control should be accounted for as an equity transaction. The statement requires that a change resulting in a loss of control and deconsolidation is a significant event triggering gain or loss recognition and the establishment of a new fair value basis in any remaining ownership interests. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 160 to have a material impact on its results of operations and financial position.

NOTE 3. ACQUISITION OF INTANGIBLE ASSETS

On September 12, 2005, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with Global Appliance Technologies, Inc. ("Global") and stockholders of Global. Pursuant to the Purchase Agreement, the Company acquired the patent and technology assets of Global, further expanding TurboChef's ownership of proprietary commercial and residential speed cook technologies.

At the closing of the transaction, Global received $5.0 million in cash and 60,838 shares of the Company's common stock with a value of $993,000 at the date of acquisition. Additionally, the Company entered into services agreements with the principals of Global which provided, among other things, for delivery of three patent applications by the end of the first year, and two additional patent applications by the end of the eighteenth month following closing. Upon timely delivery of these patent applications, the Company was obligated to pay Global three nearly-equal installment payments totaling $8.0 million, payable on each of the first three anniversaries of the closing date (the payments will be made 38% in cash and 62% in stock). In September 2006, all of the patent applications required under the terms of the agreement were delivered. The transaction was accounted for as an asset acquisition. The aggregate consideration for the assets acquired is comprised of $6.3 million, including transaction costs, given at closing and $7.7 million for the estimated fair value of the contingent consideration which became payable upon delivery of the patent applications. The Company allocated the consideration for these technology assets to IPRD and expensed $7.7 million and $6.3 million for the years ended December 31, 2006 and 2005, respectively.

Amounts allocated to IPRD include the value of products in the development stage that are considered not to have reached technological feasibility or to have alternative future use. Technology development and IPRD were identified and valued through extensive interviews, analysis of data provided by Global concerning development projects, their stage of development, the time and resources needed to complete them, if applicable, and their expected income generating ability and associated risks. No development projects had reached technological feasibility; therefore, all the intangible assets were deemed to be purchase of IPRD. The income approach, which includes an analysis of the cash flows and risks associated with achieving such cash flows, was the primary technique utilized in valuing acquired IPRD. Key assumptions for IPRD included a discount rate of 34% and estimates of revenue growth, cost of sales, operating expenses and taxes. This valuation performed in 2005 at the date of acquisition was updated in 2006 to reflect the resolution of the contingencies as described above.

In connection with this transaction, the Company also entered into Restrictive Covenant Agreements (the “Restrictive Covenant Agreements”) with each of the two principals of Global. Under the Restrictive Covenant Agreements, the principals agreed to certain covenants regarding the disclosure of trade secrets and confidential information, and to covenants restricting their ability to compete with the Company. As consideration for these covenants, each principal received $1.0 million in cash at closing, and each can receive additional cash payments totaling $2.0 million, which are payable in equal portions on the first three anniversaries of the closing date. The estimated fair value of these agreements, $5.6 million, will be amortized over the agreements’ ten-year term. Annual amortization for each of the next five years will approximate $560,000.

NOTE 4. OTHER RECEIVABLES

As discussed in Note 8, the Company entered into an agreement with an insurance company to insure its warranty obligations. The Company submits for reimbursement all eligible claims made under the warranties and includes the outstanding amounts in other receivables in the accompanying consolidated balance sheets. As of December 31, 2007, the amount outstanding totaled $2.2 million.

The Company entered into a favorable final settlement in the second quarter of 2005 with a contract assembler related to consigned inventory lost in a fire suffered at one of the assembler’s plants. The amount due under the settlement is included in other receivables in the accompanying consolidated balance sheets. The Company received payment on the settlement amount in April 2007.

NOTE 5. CONCENTRATION OF CREDIT RISKS

The Company is generally subject to the financial well being of the business of commercial food service operators and related equipment; however, management does not believe that there is significant credit risk with respect to trade receivables. Additionally, the Company had been subject to customer concentration resulting from the initial rollouts of several large customers. For the years ended December 31, 2007, 2006 and 2005, 66%, 55%, and 60% of total sales were made to three customers. As of December 31, 2007 and 2006, 73% and 41% of outstanding accounts receivable were from three customers, respectively. No other single customers accounted for more than 10% of the Company’s sales during the three years ended December 31, 2007.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Lives (years)	2007 (In thousands)	2006
Leasehold improvements	5–7.5	3,140	3,044
Furniture and fixtures	5	1,458	1,369
Equipment	3–7	6,921	6,471
		11,519	10,884
Less accumulated depreciation		(4,791)	(2,940)
		$ 6,728	$ 7,944

Depreciation expense was $2.0 million, $1.7 million and $1.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

NOTE 7. ACCRUED EXPENSES

Accrued expenses consisted of the following as of December 31 (in thousands):

	2007	2006
Accrued compensation and benefits	$ 3,924	$ 1,378
Sales and marketing	3,487	907
Professional and accounting fees	1,169	432
Accrued taxes and other	1,314	386
Total accrued expenses	$ 9,894	$ 3,103

NOTE 8. ACCRUED WARRANTY AND UPGRADE COSTS

The Company generally provides a one-year parts and labor warranty on its ovens. Provisions for warranty claims are recorded at the time products are sold and are reviewed and adjusted periodically by management to reflect actual and anticipated experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided, and these differences may be material. In 2007, the Company entered into an agreement with an insurance company to insure all of its obligations under the OEM Warranties. The Company remits premiums to the insurance company and submits for reimbursement all eligible claims made under the OEM warranties. Premiums are recorded as a component of cost of product sales at the time products are sold. Premiums will be reviewed and may be adjusted prospectively to reflect actual and anticipated experience. The below table represents the remaining warranty obligation for ovens sold prior to the insurance agreement.

In 2005, the Company identified a potential longevity and reliability issue with its Tornado oven. The success of the toasted menu offerings for Subway, the Company's largest customer at the time, resulted in higher use of the Tornado oven and more cook cycles than had been anticipated. Increased warranty calls from the Subway installed base occurred as certain components degraded under the high usage much earlier than expected. The Company determined that it could improve the longevity and reliability of the ovens through a change in the oven's software (or operating system). This software change was incorporated in production and a voluntary and proactive software upgrade program launched for installed units. This program also included replacement of certain components in the ovens to ensure that the installed base of Tornado ovens would benefit from the latest enhancements to the ovens. Extensive engineering tests performed of the revised software provided evidence that led us to believe that the longevity and reliability issue with Subway's Tornado ovens has been satisfactorily resolved. Additions to the warranty reserve to address this issue aggregated $9.6 million for 2005.

An analysis of changes in the liability for product warranty claims is as follows for the years ended December 31 (in thousands):

	2007	2006	2005
Balance at beginning of year	1,889	2,482	2,586
Provision for warranties	405	3,301	3,997
Warranty expenditures	(1,736)	(3,894)	(13,682)
Other adjustments to provision for warranties	—	—	9,581
Balance at end of year	$ 558	$ 1,889	$ 2,482

NOTE 9. RESTRUCTURING CHARGES

During the fourth quarter of 2005, the Company initiated a restructuring plan to close its underperforming operation in the Netherlands and re-align the resources and cost structure. The Company now directs the activities of all of its international distributors directly from its domestic operations center. Since the Company continues to have a presence in the markets previously managed by its Netherlands operation, the results of that unit's operations are included in continuing operations. The closing of the Netherlands operations resulted in restructuring charges of $621,000 including $125,000 of non-cash charges, principally related to impairment of fixed assets. In the first quarter of 2006, the Company negotiated to terminate the lease of the closed facility and recorded a reduction in the restructuring reserve of $41,000. The lease termination payment was made in April 2006 and concluded the restructuring plan initiated in the fourth quarter of 2005.

In accounting for restructuring charges, the Company complied with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred.

NOTE 10. INCOME TAXES

The components of the provision for income taxes for the years ended December 31 (in thousands):

	2007	2006	2005
Current:			
Federal	—	—	—
State	—	—	—
Total provision for income taxes	$ —	$ —	$ —

The following is a reconciliation of the (benefit) provision for income taxes at the U.S. federal income tax rate to the income taxes reflected in the statements of operations for the years ended December 31 (in thousands):

	2007	2006	2005
Expected income tax benefit	$ (5,859)	$ (7,957)	$ (11,923)
State income tax benefit, net of federal benefit	(358)	(489)	(740)
Other	98	(207)	(89)
Changes in deferred income tax asset valuation allowance	$ 6,119	$ 8,653	12,752
Provision for income taxes	$ —	$ —	$ —

The components of the Company's net deferred tax assets as of December 31, were as follows (in thousands):

	2007	2006
Deferred income tax assets:		
Warranty reserves	$ 201	$ 682
Allowance for doubtful accounts	67	55
Inventory	913	377
Basis difference of other current assets	259	93
Total current deferred income tax assets	1,440	1,207
Net operating loss carryforwards	35,800	29,229
Basis difference of intangible assets	5,972	6,279
Basis difference of stock- based compensation	4,188	3,366
Research and development credit carryforwards	1,144	832
Federal alternative minimum tax credit carryforwards	121	121
Basis difference of other long-term assets	6	57
Total non-current deferred income tax assets	47,231	39,884
Total gross deferred income tax assets	48,671	41,091
Deferred income tax liabilities:		
Basis difference of other long-term assets	(281)	(224)
Total gross deferred income tax liabilities	(281)	(224)
Net deferred income tax asset	48,390	40,867
Less deferred income tax asset valuation allowance	(48,390)	(40,867)
Net deferred income tax assets	$ —	$ —

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Due to the historical operating results of the Company, management is unable to conclude on a more likely than not basis that the deferred income tax assets will be realized. Accordingly, the Company recorded a valuation allowance equal to 100% of the net deferred income tax assets at December 31, 2007 and 2006, respectively.

There was no provision for income taxes required for 2007, 2006 or 2005. At December 31, 2007, the Company has net operating loss carryforwards ("NOL's") for federal income tax purposes of $99.1 million, which may be used against future taxable income, if any, and which begin to expire in 2011. Additionally, the Company has $8.8 million in income tax deductions related to stock option exercises the tax effect of which will be reflected as additional paid- in capital when realized. In October 2003, a change in ownership took place, which for income tax purposes under Internal Revenue Code Section 382, limits the annual utilization of $21.1 million of the loss carryforwards and could cause some amount of the carryforwards to expire before they are utilized. The Company has federal alternative minimum tax credit carryforwards of $121,000, which may be used to offset future federal tax liability, if any.

The Company also has research and development credit carryforwards of approximately $1.1 million, which may be used to offset future federal tax liability, if any. A portion of this credit may be subject to limitations.

The Company adopted the provisions of FIN 48 effective January 1, 2007. No cumulative adjustment was required or recorded as a result of the implementation of FIN 48. As of December 31, 2007, the Company had no unrecognized tax benefits. The Company is no longer subject to U.S. federal income or state tax return examinations by tax authorities for tax years before 2003. However, since the Company has substantial tax net operating losses originating in years before 2003, the tax authorities may review the amount of the pre-2003 net operating losses. The Company is not currently under examination by any tax authority. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense when and if incurred. The Company had no interest or penalties related to unrecognized tax benefits accrued as of December 31, 2007. The Company does not anticipate that the amount of the unrecognized benefit will significantly increase or decrease within the next 12 months.

NOTE 11. CREDIT FACILITY

On February 28, 2005, the Company entered into a Credit Agreement with Bank of America, N.A. (the 2005 Credit Agreement). The 2005 Credit Agreement, as amended, allowed the Company to borrow up to $20.0 million at any time under the revolving credit facility, based upon a portion of the Company's eligible accounts receivable and inventory. The 2005 Credit Agreement also provided for a letter of credit facility within the credit limit of up to $5.0 million. Revolving credit loans under the 2005 Credit Agreement bear interest at a rate of the British Bankers Association LIBOR Rate plus 2.5%, 7.65% as of December 31, 2007, unless for certain reasons Eurodollar Rate Loans are unavailable, then at a rate of 2.5% over the higher of the Federal Funds Rate plus 0.5% and Bank of America's prime rate. The Company's obligations under the 2005 Credit Agreement were secured by substantially all of the assets of TurboChef and its subsidiary. The 2005 Credit Agreement contained customary affirmative and negative covenants and acceleration provisions. The credit commitment expired on February 29, 2008, and any outstanding indebtedness under the 2005 Credit Agreement was due on that date. As of December 31, 2007, the Company has $9.0 million in borrowings outstanding, $917,000 in outstanding letters of credit and $10.1 million available under the 2005 Credit Agreement.

In February 2008, the Company entered into an Amended and Restated Credit Agreement with Bank of America, N.A. (the 2007 Credit Agreement). The terms of this agreement are comparable to those in the 2005 Credit Agreement. The credit commitment expires on February 28, 2009, and any outstanding indebtedness under the 2007 Credit Agreement will be due on that date. TurboChef had outstanding indebtedness of $9 million under its previous credit agreement with the lender, which amount was rolled into this 2007 Credit Agreement. The outstanding amount of $9.0 million was repaid on February 28, 2008 and the Company now has the $20.0 million available under the 2007 Credit Agreement.

NOTE 12. STOCKHOLDERS' EQUITY

Stock-Based Compensation Plans

The Company has an omnibus stock-based compensation plan, the 2003 Stock Incentive Plan (the "2003 Plan"),that provides for the grant of restricted stock, restricted stock units and incentive and nonqualified options to purchase the Company's stock to eligible officers, key employees, directors and consultants. Additionally, options awarded under the Company's 1994 Stock Option Plan (the "1994 Plan"), which has expired, remain outstanding. The 2003 Plan, as amended, reserved up to 5,333,333 shares of the Company's common stock for issuance to eligible participants. Options awarded under these plans (i) are generally granted at exercise prices equal to or above quoted market prices on the dates of the grant; (ii) generally become exercisable over a period of one to four years; and (iii) generally expire seven or ten years subsequent to award. At December 31, 2007, there was an aggregate of 1.1 million shares available for grant under the 2003 Plan.

A summary of stock option activity follows:

	Number of Shares	Weighed Average Exercise Price
Options outstanding at January 1, 2005	3,121,626	$ 6.97
Options granted	966,578	12.81
Options exercised	(482,058)	4.38
Options expired or canceled	(82,219)	12.51
Options outstanding at December 31, 2005	3,523,927	8.79
Options granted	—	—
Options exercised	(342,106)	6.35
Options expired or canceled	(99,935)	19.66
Options outstanding at December 31, 2006	3,081,886	8.71
Options granted	—	—
Options exercised	(238,082)	8.94
Options expired or canceled	(6,206)	14.74
Options outstanding at December 31, 2007	2,837,598	9.35
Options exercisable at December 31, 2005	3,523,927	8.79
Options exercisable at December 31, 2006	3,081,886	8.71
Options exercisable at December 31, 2007	2,837,598	9.35

The following table summarizes information about the Company's stock options outstanding at December 31, 2007:

Operations Outstanding and Exercisable

Range of Exercise Prices	Outstanding as of December 31, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$2.58–$5.25	1,264,564	5.79	$ 5.20
$5.26–$11.95	820,427	6.82	10.64
$11.96–$28.50	752,517	6.99	14.92
	2,837,508	6.41	9.35

In 2005, the Company granted options in payment for consulting services. The number of shares of common stock which can be purchased under these grants were 3,333 and 16,667 exercisable at $15.45 and $11.00, respectively. Compensation expense of $181,000 in connection with these awards is included in selling, general and administrative expense.

Restricted stock units ("RSU") are grants that entitle the holder to shares of common stock as the award vests. The fair value of these awards was based upon the market price of the underlying common stock as of the date of grant and these awards vest over one-, two- and five-year periods from the date of grant, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares could vest earlier in the event of a change in control, merger or other acquisition, or upon termination for disability or death. The shares of common stock will be issued at vesting, or, in some cases, at a deferred payout date.

A summary of restricted stock unit activity follows:

	Number of RSUs	Weighed Average Grant-Date Fair Value
Balance at January 1, 2006	—	$ —
RSUs granted	83,160	12.84
RSUs vested	(5,334)	13.08
RSUs forfeited	—	—
Balance at December 31, 2006	77,826	12.82
RSUs granted	578,408	15.41
RSUs vested	(21,093)	12.77
RSUs forfeited	(8,500)	15.42
Balance at December 31, 2007	626,641	15.18

There was no activity related to restricted stock units for 2005.

Stock based compensation expense related to the awards was $1.8 million for the year ended December 31, 2007. For the year ended December 31, 2007, stock-based compensation expense of $140,000 is included in research and development expenses, $12,000 is included in cost of product sales, and the remainder is included in selling, general, and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2006, include $290,000 recognized as stock-based compensation expense for these awards. As of December 31, 2007 and 2006, there was $7.7 million and $778,000 of unrecognized compensation cost related to these RSU awards, which is expected to be recognized over a weighted average period of 2.0 years and 1.5 years, respectively.

Tender Offer and Option Amendments

On December 7, 2007, the Company completed a tender offer that allowed 30 employees to amend or cancel certain options to remedy potential adverse personal tax consequences. Additionally, the Company entered into an agreement with four officers of the Company not eligible to participate in the tender offer to amend their options to also remedy potential adverse personal tax consequences. As a result, the Company amended 572,000 options granted after October 29, 2003 that, for financial reporting purposes, were or may have been granted at a discount to increase the option grant price to the fair market value on the date of grant and issued to the employee a dollar denominated RSU for the difference in option grant price between the amended option and the original discounted price. The dollar denominated RSU will be settled in shares on March 7, 2008. The Company accounted for these modifications and settlements in accordance with SFAS 123R and as a result recorded incremental compensation expense of $579,000 during the three months ended December 31, 2007 and recognized a liability of $1.9 million for the dollar denominated RSU's (presented as an other current liability) with a resulting net decrease to additional paid-in-capital of $1.3 million.

Stock Issuances

On February 8, 2005, the Company closed a public offering of 5,000,000 shares of its common stock at $20.50 before discounts and commissions to underwriters and other offering expenses. Of the shares sold, 2,925,000 were sold by the Company and 2,075,000 were sold by certain selling shareholders. The Company plans to use the net proceeds to finance the development and introduction of residential ovens, to pursue possible acquisitions or strategic investments and for working capital and other general corporate purposes.

During 2007, 2006 and 2005, respectively, the Company exchanged Enersyst preferred membership units for 414, 56,000 and 518,000 shares of common stock. The remaining preferred membership units are exchangeable for 37,000 shares of common stock under the terms of the exchange agreement.

In September 2007 and 2006, respectively, the Company issued 124,381 and 169,365 shares of common stock, with a value of $1.5 million and $1.9 million, respectively, as the equity portion of the first installment of contingent consideration payable under the terms of the Global Purchase Agreement. An indeterminate number of shares are issuable in the future to settle $1.7 million of the amount payable for the contingent consideration in connection with acquisition of technology assets.

NOTE 13. COMMITMENTS AND CONTIGENCIES

Lease Commitments

The Company leases office facilities and certain equipment under noncancellable operating leases having original terms ranging from one to eight years. Approximate future minimum rent payments, by year and in the aggregate, under noncancellable operating leases are as follows (in thousands):

2008	$	1,293
2009		1,170
2010		895
2011		896
2012		826
	$	5,080

Rent expense was approximately $1.2 million, $1.1 million, and $920,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Employee Benefit Plan

The Company maintains an employee savings plan that qualifies as a cash or deferred salary arrangement under Section 401(k). The plan covers all employees who meet minimum age and service requirements. Eligible employees may contribute to the plan, subject to certain limitations. The Company may make matching contributions to the plan at its sole discretion. Employees become fully vested with respect to Company contributions after five years of service. The matching contribution for 2007 totaled $228,000 and for 2006 and 2005 totaled $150,000.

NOTE 14. LITIGATION

Maytag Corporation

The Company filed for arbitration against Maytag Corporation in Dallas, Texas, on February 2, 2001, in connection with a series of contracts for research, development and commercialization of certain technology through a joint, strategic relationship. Hearings before the panel took place during 2005, with the final hearing on October 4, 2005. On March 1, 2006 the panel issued its decision in which it denied all monetary damage and other claims by both parties, except it did order Maytag to assign a fifty-percent interest to TurboChef in ten U.S. patents issued to Maytag.

In May 2002, Maytag filed a complaint in Iowa federal court seeking, among other things, to require that two of the claims originally filed and pending in the Texas arbitration be decided only in a separate arbitration proceeding in Boston, Massachusetts. Maytag's complaint in the Iowa proceeding also alleged that in a January 2002 press release (and in certain other unidentified statements) the Company publicized false and misleading statements about Maytag's use of the Company's intellectual property in its residential appliances. Based upon this allegation, Maytag asserted claims that the Company caused false advertising with respect to Maytag's goods and services, intentionally interfered with Maytag's prospective business, defamed Maytag and unfairly competed with Maytag. Maytag's complaint in the Iowa proceeding did not specify the dollar amount of damages sought. On May 15, 2006, Maytag and TurboChef filed a stipulation for voluntary dismissal of Maytag's complaint in Iowa federal court, and the parties subsequently agreed to a final settlement of this matter.

Maytag had also initiated arbitration against the Company in Boston, claiming damages in excess of $1.3 million for failure to pay for ovens. The Company had filed a counterclaim alleging that Maytag breached its warranty and committed fraud and that it has been damaged in an amount in excess of $1.5 million. In August 2006, the Company and Maytag mediated a settlement to resolve this matter. The Company's financial statements as of and for the period ended December 31, 2006 reflect the impact of this settlement, the terms of which are confidential.

Food Automation-Service Techniques, Inc.

On August 8, 2005, Technology Licensing Corporation and Food Automation-Service Techniques, Inc. ("FAST") filed suit against TurboChef in Federal District Court in Connecticut alleging infringement by the Company's three commercial oven products of U.S. Patent No. 4,920,948. FAST sought unspecified damages, injunction, attorneys' fees and costs. In its press release of September 9, 2005, FAST claimed it was seeking damages that could exceed $30 million. TurboChef filed its answer on August 30, 2005, among other things, denying any infringement. Management believes that these claims are without merit and vigorously defended itself. The parties reached agreement to settle the lawsuit effective as of February 21, 2006, the results of which were recorded in the prior year.

Garland Commercial Industries LLC and AGA Commercial Products

The Company filed suit August 1, 2007 in the U.S. District Court, Northern District of Texas, against the defendants, Garland Commercial Industries LLC ("Garland") and AGA Commercial Products ("AGA") for infringement by their oven products of several patents owned by the Company and its subsidiary, Enersyst Development Center L.L.C. ("Enersyst"). The speed cook ovens involved are sold by Garland under the Merrychef brand and are or were sold by AGA under the Amana brand. The Company is seeking unspecified damages and injunctions. The defendants seek a judgment denying the claims, dismissing the complaint, declaring all of the asserted patents invalid or unenforceable or that the defendants do not infringe. They also seek costs and legal fees.

Lincoln Foodservice Products LLC

Lincoln Foodservice Products LLC ("Lincoln") filed suit against the Company and Enersyst on October 9, 2007 in the U.S. District Court, Northern District of Texas, for patent infringement of one U.S. patent owned by Lincoln. Lincoln is a subsidiary or affiliate of Enodis PLC, parent of Garland (Merrychef), and filed this suit at the time Garland answered the Company's suit. Lincoln is seeking damages, including treble damages, fees, interest and costs as well as to enjoin the Company from further infringement by its products, including the Tornado® speed cook oven.

The Company is also party to other legal proceedings from time to time that arise in the ordinary course of our business. The Company believes an unfavorable outcome of any such existing proceedings should not have a material adverse affect on our operating results or future operations.

NOTE 15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Unaudited quarterly financial information follows (in thousands except share and per share data):

2007	First	Second	Third	Fourth	Fiscal Year
Total revenues	$ 18,331	$ 22,968	$ 32,493	$ 34,314	$ 108,106
Gross profit	6,798	9,037	12,914	12,712	41,461
Net loss	(4,917)	(6,518)	(1,764)	(4,035)	(17,234)
Basic and diluted loss per share	$ (0.17)	$ (0.22)	$ (0.06)	$ (0.14)	$ (0.59)
Number of shares used in the computation of basic and diluted loss per share	29,223,104	29,247,657	29,274,530	29,427,538	29,294,596
2006					
Total revenues	$ 9,536	$ 10,494	$ 13,401	$ 15,238	$ 48,669
Gross profit	2,899	3,224	5,052	5,565	16,740
Net loss	(4,932)	(4,987)	(10,668)	(2,817)	(23,404)
Basic and diluted loss per share	$ (0.17)	$ (0.17)	$ (0.37)	$ (0.10)	$ (0.81)
Number of shares used in the computation of basic and diluted loss per share	28,665,275	28,765,080	28,835,787	29,060,089	28,834,821

The sum of the quarterly earnings per share amounts do not add to the annual earnings per share amount due to the weighting of common and common equivalent shares outstanding during each of the respective periods.

NOTE 16. SEGMENT INFORMATION AND REVENUE BY GEOGRAPHIC AREA

SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, establishes standards for the way in which public companies are to disclose certain information about operating segments in their financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

Through 2005, the Company's primary markets were with commercial food service operators throughout North America, Europe and Australia and management believes that, for 2005 and prior, the Company historically operated in one business segment. During 2005, the Company took several steps designed to take its technologies to residential consumers, including market research, related industrial design research and product development and exploration of distribution channels for a proposed residential oven product line. The launch of the residential product line created an additional business segment for the Company in 2006. Consequently, the Company revised and restated the segment reporting to more closely align with how the Company is now managed by the Chief Operating Decision Maker. The results from operations are now reported using two reportable operating segments: Commercial and Residential. The Commercial segment includes operations of the historical business excluding corporate expenses, defined below, other income (expense) and income taxes. The Residential segment includes costs related to the development and the anticipated launch of the residential product line.

The accounting policies of the operating segments are the same as those described in Summary of Significant Accounting Policies. The Chief Operating Decision Maker evaluates performance of the segments based on operating income. Costs excluded from this profit measure primarily consist of corporate expenses, other income (expense) and income taxes. Corporate expenses are primarily comprised of corporate overhead expenses. Thus, operating income includes only the costs that are directly attributable to the operations of the individual segment. The Company does not currently account for or report to the Chief Operating Decision Maker its assets or capital expenditures by segments.

Information about the Company's operations by operating segment follows (in thousands):

SEGMENT	2007	2006	2005
Commercial:			
Revenues	$ 107,602	$ 48,669	$ 52,249
Depreciation and amortization	2,424	2,806	2,035
Net income (loss)	14,938	(488)	(9,433)
Residential:			
Revenues	$ 504	$ —	$ —
Depreciation and amortization	798	240	—
Net loss	(14,333)	(7,030)	(5,142)
Corporate:			
Revenues	$ —	$ —	$ —
Depreciation and amortization	847	808	761
Net loss	(17,839)	(15,886)	(20,494)
Totals:			
Revenues	$ 108,106	$ 48,669	$ 52,249
Depreciation and amortization	4,069	3,854	2,796
Net loss	(17,234)	(23,404)	(35,069)

The Company does not have significant assets outside the United States. Revenues by geographic region for each of the three years ended December 31 is as follows (in thousands):

REGION	2007	2006	2005
North America			
Commercial:	$ 94,395	$ 40,166	$ 41,031
Residential:	504	—	—
Total North America revenue:	94,899	40,166	41,031
Europe and Asia/Pacific			
Commercial:	13,207	8,503	11,218
Residential:	—	—	—
Total Europe and Asia/Pacific revenue:	13,207	8,503	11,218
Totals	$ 108,106	$ 48,669	$ 52,249

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EXHIBIT 99.2

TURBOCHEF TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2008	December 31, 2007
Assets:		
Current assets:		
Cash and cash equivalents	$ 7,007	$ 10,149
Accounts receivable, net of allowance of $397 and $195	10,372	38,657
Other receivables	651	2,502
Inventory, net	16,513	11,883
Prepaid expenses	8,615	3,307
Total current assets	43,158	66,498
Property and equipment, net	6,589	6,728
Developed technology, net of accumulated amortization of $3,519 and $2,914	4,551	5,156
Goodwill	5,934	5,934
Covenant not-to-compete, net of accumulated amortization of $1,706 and $1,286	3,894	4,314
Other assets	94	91
Total assets	$ 64,220	$ 88,721
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 12,616	$ 20,178
Accrued expenses	5,143	9,894
Future installments due on covenants not-to-compete and additional consideration for assets acquired	2,343	3,801
Amounts outstanding under credit facility	6,000	9,000
Deferred revenue	8,739	9,554
Accrued warranty	—	558
Deferred rent	247	247
Other current liabilities	—	1,908
Total current liabilities	35,088	55,140
Deferred rent, non-current	791	974
Other liabilities	108	100
Total liabilities	35,987	56,214
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $1 par value, authorized 5,000,000 shares, 0 shares issued	—	—
Preferred membership units exchangeable for shares of TurboChef common stock	380	380
Common stock, $.01 par value, authorized 100,000,000 shares, issued 30,721,565 and 29,568,325 shares at September 30, 2008 and December 31, 2007, respectively	307	296
Additional paid-in capital	185,657	173,857
Accumulated deficit	(158,111)	(142,026)
Total stockholders' equity	28,233	32,507
Total liabilities and stockholders' equity	$ 64,220	$ 88,721

The accompanying notes are an integral part of these financial statements.

TURBOCHEF TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Product sales	$ 20,088	$ 32,247	$ 65,240	$ 72,912
Royalties	223	246	739	880
Total revenues	20,311	32,493	65,979	73,792
Costs and expenses:				
Cost of product sales	12,338	19,579	39,536	45,043
Research and development expenses	858	1,101	3,657	3,967
Selling, general and administrative expenses	11,816	13,665	38,222	38,154
Total costs and expenses	25,012	34,345	81,415	87,164
Operating loss	(4,701)	(1,852)	(15,436)	(13,372)
Other income (expense):				
Interest income	36	160	133	561
Interest expense and other	(318)	(72)	(782)	(388)
	(282)	88	(649)	173
Net loss	$ (4,983)	$ (1,764)	$ (16,085)	$ (13,199)
Per share data:				
Net loss per share - basic and diluted	$ (0.16)	$ (0.06)	$ (0.53)	$ (0.45)
Weighted average number of common shares outstanding – basic and diluted	30,471,742	29,274,530	30,269,081	29,248,970

The accompanying notes are an integral part of these financial statements.

TURBOCHEF TECHNOLOGIES, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:		
Net loss	$ (16,085)	$ (13,199)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,728	2,906
Amortization of deferred rent	(183)	(183)
Amortization of deferred loan costs and non-cash interest	534	321
Amortization of common stock and warrant issued in exchange for marketing and related services	3,275	—
Non-cash compensation expense	2,718	1,225
Provision for doubtful accounts	242	302
Other	(19)	11
Changes in operating assets and liabilities:		
Accounts receivable	27,863	(20,868)
Inventories	(5,485)	(2,203)
Prepaid expenses and other assets	(1,492)	981
Accounts payable and other payables	(7,563)	10,745
Accrued expenses and warranty	(5,322)	3,254
Deferred revenue	(815)	2,682
Net cash provided by (used in) operating activities	1,396	(14,026)
Cash flows from investing activities:		
Purchases of property and equipment	(2,118)	(571)
Disposals of property and equipment	616	—
Net cash used in investing activities	(1,502)	(571)
Cash flows from financing activities:		
Borrowings under credit facility	8,000	9,000
Repayments of credit facility	(11,000)	—
Proceeds from the exercise of stock options	146	313
Payment of deferred loan costs	(182)	(150)
Net cash (used in) provided by financing activities	(3,036)	9,163
Net decrease in cash and cash equivalents	(3,142)	(5,434)
Cash and cash equivalents at beginning of period	10,149	19,675
Cash and cash equivalents at end of period	$ 7,007	$ 14,241
NON CASH OPERATING AND FINANCING ACTIVITIES:		
Issuance of common stock and warrant in exchange for marketing and related services	$ 5,240	$ —
Issuance of common stock for acquisition of intangible assets	$ 1,821	$ 1,520
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 305	$ 28
Cash paid for income taxes	—	—

The accompanying notes are an integral part of these financial statements.

TURBOCHEF TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

TurboChef Technologies, Inc. (the “Company”) was incorporated in 1991 and became a Delaware corporation in 1993. The Company is a leading provider of equipment, technology and services focused on the high speed preparation of food products. The Company’s customizable commercial speed cook ovens cook food products at high speeds with food quality comparable, and in many cases superior, to conventional heating methods. The Company's primary markets have been with commercial food service operators throughout North America, Europe and Australia. However, with the recent introduction of oven equipment for residential markets, the Company has extended application of its high-speed cooking technologies and has created an additional business segment.

The condensed consolidated financial statements of the Company as of September 30, 2008 and 2007 included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and have not been audited by independent registered public accountants. In the opinion of management, all adjustments of a normal and recurring nature necessary to present fairly the financial position and results of operations and cash flows for all periods presented have been made. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted from these statements unless significant changes have taken place since the end of the Company's most recent fiscal year. The Company's December 31, 2007 consolidated balance sheet was derived from audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, but does not include all disclosures required by GAAP. It is suggested that these financial statements be read in conjunction with the financial statements and notes included in the aforementioned Form 10-K. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

The unaudited condensed consolidated financial statements include the accounts of TurboChef Technologies, Inc. and its majority-owned and controlled companies. Significant intercompany accounts and transactions have been eliminated in consolidation.

On August 12, 2008, the Company announced that The Middleby Corporation agreed to acquire all of the outstanding common stock of TurboChef Technologies, Inc. in a deal valued at approximately $200 million in cash and stock as of August 11, 2008, the last trading date prior to the announcement of the acquisition (see Note 11).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For information regarding significant accounting policies, see Note 2 to the Consolidated Financial Statements of the Company for the year ended December 31, 2007, set forth in the Form 10-K.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on certain assumptions which they believe are reasonable in the circumstances and actual results could differ from those estimates. The more significant estimates reflected in these financial statements include warranty, accrued expenses and valuation of stock-based compensation.

Based upon current expectations of 2008 results, the Company revised its accrual of incentive based compensation expense for the year, resulting in a decrease in selling, general and administrative expenses of $585,000 for the three months ended September 30, 2008.

REVENUE RECOGNITION

Revenues from product sales, which includes all revenues except royalty revenues, are recognized when no significant vendor obligation remains, title to the product passes (depending on terms, either upon shipment or delivery), and the customer has the intent and ability to pay in accordance with contract payment terms that are fixed and determinable. Certain customers may purchase installation services. Revenues from these services are deferred and recognized when the installation service is performed. Certain customers may purchase extended warranty coverage. Revenue from sales of extended warranties is deferred and recognized in product sales on a straight-line basis over the term of the extended warranty contract. Royalty revenues are recognized based on the sales dates of licensees’ products, and service revenues are recorded based on attainment of scheduled performance milestones. The Company reports its revenue net of any sales tax collected.

The Company's product sales sometimes involve multiple elements (i.e., products, extended warranties and installation services). Revenue under multiple element arrangements is accounted for in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-21, *"Accounting for Revenue Arrangements with Multiple Deliverables"*. Under this method, for elements determined to be separate units of accounting, revenue is allocated based upon the relative fair values of the individual components.

The Company provides for returns on product sales based on historical experience and adjusts such reserves as considered necessary. Reserves for sales returns and allowances are recorded in the same accounting period as the related revenues and are not significant for any of the periods presented.

Deferred revenue includes amounts billed to customers for which revenue has not been recognized. Deferred revenue consists primarily of unearned revenue from extended warranty contracts and other amounts billed to customers where the sale transaction is not yet complete and, accordingly, revenue cannot be recognized.

COST OF PRODUCT SALES

Cost of product sales is calculated based upon the cost of the oven, the cost of any accessories supplied with the oven, an allocation of cost for applicable delivery, duties and taxes and a warranty provision. Cost of product sales also includes cost of replacement parts and accessories and cost of labor, parts and payments to third parties in connection with fulfilling extended warranty contracts. For extended warranty contracts, sold prior to the insurance program as discussed below, the Company compares expected expenditures on extended warranty contracts to the deferred revenue over the remaining life of the contracts, and if the expenditures are anticipated to be greater than the remaining deferred revenue the Company records a charge to cost of product sales for the difference. Cost of product sales does not include any cost allocation for administrative and technical support services required to deliver or install the oven or an allocation of costs associated with the quality control of the Company's contract manufacturers. These costs are recorded within selling, general and administrative expenses. Cost of product sales also does not attribute any allocation of compensation or general and administrative expenses to royalty and services revenues.

PRODUCT WARRANTY

The Company's ovens are warranted against defects in material and workmanship for a period of one year ("OEM Warranties"). Additionally, the Company offers to certain customers extended warranties ("ESP Warranties"). In 2007, the Company entered into an agreement with an insurance company to insure its obligations under the OEM and ESP Warranties. The Company remits premiums to the insurance company and submits for reimbursement all eligible claims made under the OEM and ESP Warranties. Premiums are recorded as a component of cost of product sales at the time products are sold for OEM Warranties and over the term of the extended warranty coverage for ESP Warranties. Premiums will be reviewed by the Company and the insurance provider and may be adjusted prospectively to reflect actual and anticipated experience.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess purchase price of net tangible and intangible assets acquired in business combinations over their estimated fair values. Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, requires goodwill and other acquired intangible assets that have indefinite useful lives to no longer be amortized; however, these assets must undergo an impairment test at least annually. The annual goodwill impairment test, completed as of October 2007, determined that the carrying amount of goodwill was not impaired and there have been no developments subsequent to October 2007 that would indicate impairment exists. The goodwill impairment review will continue to be performed annually or more frequently if facts and circumstances warrant a review. The annual impairment test for 2008 has not yet been completed.

SFAS No. 142 also requires that intangible assets with definite lives be amortized over their estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Currently, acquired developed technology and covenants not-to-compete are both amortized using the straight-line method over estimated useful lives of 10 years, and the Company recorded $342,000, in the aggregate, of amortization expense for each of the three months ended September 30, 2008 and 2007 and $1.0 million for each of the nine months ended September 30, 2008 and 2007 for these long-lived intangible assets. Annual amortization for each of the next five years will approximate $1.4 million.

EARNINGS PER COMMON SHARE

Basic earnings per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during each period. Diluted earnings per common share is calculated by dividing net income, adjusted on an "as if converted" basis, by the weighted-average number of actual shares outstanding and, when dilutive, the share equivalents that would arise from the assumed conversion of convertible instruments.

The effect of potentially dilutive stock options and warrants is calculated using the treasury stock method. For the three and nine months ended September 30, 2008 the potentially dilutive securities include options, warrants and restricted stock units, convertible into 4.1 million shares of common stock and Enersyst Development Center, LLC ("Enersyst") preferred membership units exchangeable for 37,000 shares of common stock, all of which were excluded from the calculation of shares applicable to loss per share, because their inclusion would have been anti-dilutive. For the three and nine months ended September 30, 2007 the potentially dilutive securities included options and restricted stock units, which were convertible into 3.8 million shares of common stock, Enersyst preferred membership units exchangeable for 37,000 shares of common stock and an indeterminate number of shares issuable in the future to settle the equity portion of the Company's liability for additional consideration due under an asset acquisition agreement, all of which were excluded from the calculation of shares applicable to loss per share because their inclusion would have been anti-dilutive.

STOCK BASED EMPLOYEE COMPENSATION

The fair value of restricted stock awards is determined based on the number of shares granted and the quoted price of the Company's common stock on the date of grant. Such fair values will be recognized as compensation expense over the requisite service period, net of estimated forfeitures, using the straight-line method in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment*, a revision of SFAS No. 123, *Accounting for Stock Based Compensation*.

During the nine months ended September 30, 2008, the Company issued 526,000 restricted stock units to certain employees. These restricted stock units had a weighted average fair value of $6.31 per unit and the aggregate fair value was $3.3 million. The fair value of these awards was based upon the market price of the underlying common stock as of the date of grant. All of these awards vest over a five-year period provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares could vest earlier in the event of a change in control, merger or other acquisition, or upon termination for disability or death. The shares of common stock will be issued at vesting. As of September 30, 2008, 1.2 million restricted stock units have been issued by the Company. Stock-based compensation expense related to these awards was $640,000 and $2.5 million for the three and nine months ended September 30, 2008. For the three months ended September 30, 2008, stock-based compensation expense of $51,000 is included in research and development expenses, $10,000 is included in cost of product sales and the remainder is included in selling, general and administrative expenses For the nine months ended September 30, 2008, stock-based compensation expense of $276,000 is included in research and development expenses, $26,000 is included in cost of product sales, and the remainder is included in selling, general and administrative expenses. Stock-based compensation expense related to these awards was $536,000 and $1.2 million for the three and nine months ended September 30, 2007. For the three months ended September 30, 2007, stock-based compensation expense of $46,000 is included in research and development expenses, $4,000 is included in cost of product sales and the remainder is included in selling, general and administrative expenses and for the nine months ended September 30, 2007, stock-based compensation expense of $92,000 is included in research and development expenses, $8,000 is included in cost of product sales, and the remainder is included in selling, general and administrative expenses. As of September 30, 2008, the unrecognized compensation expense related to these restricted stock awards was $8.2 million with a remaining weighted average life of 2.1 years.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements; however, this statement does not require any new fair value measurements. The definition of fair value retains the exchange price notion in earlier definitions of fair value. This Statement emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions based on market data and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. This Statement clarifies that market participant assumptions include assumptions about risk and assumptions about the effect of a restriction on the sale or use of an asset and clarifies that a fair value measurement for a liability reflects its nonperformance risk. This Statement expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position (FSP) No. 157-2, which delays the effective date of SFAS No. 157 for non-financial assets and liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted the requirements of this statement as it pertains to financial assets and liabilities as of January 1, 2008. The adoption did not have a material effect on the Company's financial position or results of operations. The Company does not expect the adoption of SFAS No. 157, as it pertains to non-financial assets and liabilities, to have a material effect on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of which is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Eligible items for the measurement option include all recognized financial assets and liabilities except: investments in subsidiaries, interests in variable interest entities, employers' and plans' obligations for pension benefits, assets and liabilities recognized under leases, deposit liabilities, financial instruments that are a component of shareholder's equity. Also included are firm commitments that involve only financial instruments, nonfinancial insurance contracts and warranties and host financial instruments. The statement permits all entities to choose at specified election dates, after which the entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings, at each subsequent reporting date. The fair value option may be applied instrument by instrument; however, the election is irrevocable and is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted the requirements of this statement as of January 1, 2008. The adoption of this statement did not have a material effect on the Company's financial position or results of operations as the Company did not elect to change the measurement of any assets or liabilities to fair value.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. SFAS No. 141R changes accounting for business combinations through a requirement to recognize 100 percent of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control of the acquired entity. Other requirements include capitalization of acquired in-process research and development assets, expensing, as incurred, acquisition-related transaction costs and capitalizing restructuring charges as part of the acquisition only if requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities,* are met. SFAS No. 141R is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The implementation of this guidance will affect the Company's results of operations and financial position after its effective date only to the extent it completes applicable business combinations and therefore the impact can not be determined at this time.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 establishes the economic entity concept of consolidated financial statements, stating that holders of residual economic interest in an entity have an equity interest in the entity, even if the residual interest is related to only a portion of the entity. Therefore, SFAS No. 160 requires a noncontrolling interest to be presented as a separate component of equity. SFAS No. 160 also states that once control is obtained, a change in control that does not result in a loss of control should be accounted for as an equity transaction. The statement requires that a change resulting in a loss of control and deconsolidation is a significant event triggering gain or loss recognition and the establishment of a new fair value basis in any remaining ownership interests. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 160 to have a material impact on its results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* ("SFAS No. 161"). SFAS No. 161 requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on the Company's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company does not expect the adoption of SFAS No. 161 to have a material impact on its results of operations and financial position as the Company does not currently participate in any derivative or hedging activities.

NOTE 3. INVENTORY

Inventory consists of the following (in thousands):

	September 30, 2008	December 31, 2007
Parts inventory, net	$ 10,302	$ 6,734
Finished goods – ovens	5,022	3,835
Demonstration inventory, net	661	595
	15,985	11,164
Costs of inventory subject to a deferred revenue relationship	528	719
	$ 16,513	$ 11,883

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	Estimated Useful Lives (Years)	September 30, 2008	December 31, 2007
Tooling and equipment	3-7	$ 6,953	$ 6,921
Furniture and fixtures	5	1,526	1,458
Leasehold improvements	5-7.5	4,372	3,140
		12,851	11,519
Less accumulated depreciation and amortization		(6,262)	(4,791)
		$ 6,589	$ 6,728

NOTE 5. ACCRUED WARRANTY

The Company generally provides a one-year parts and labor warranty on its ovens ("OEM warranties"). Provisions for warranty claims are recorded at the time products are sold and are reviewed and adjusted periodically by management to reflect actual and anticipated experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided, and these differences may be material.

An analysis of changes in the liability for product warranty claims is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Balance at beginning of period	$ 15	$ 2,718	$ 558	$ 1,889
Provision for warranties	—	—	(178)	1,955
Warranty expenditures	(15)	(962)	(380)	(2,088)
Adjustments	—	(583)	—	(583)
Balance at end of period	$ —	$ 1,173	$ —	$ 1,173

In 2007, the Company entered into an agreement with an insurance company to insure all of its obligations under the OEM warranties. The Company remits premiums to the insurance company and submits for reimbursement all eligible claims made under the OEM warranties. Premiums are recorded as a component of cost of product sales at the time products are sold. Premiums will be reviewed by the Company and the insurance provider and may be adjusted prospectively to reflect actual and anticipated experience. The Company includes the outstanding reimbursement amount in other receivables in the accompanying unaudited condensed consolidated balance sheets. The above table represents the remaining warranty obligation for ovens sold prior to the insurance agreement.

NOTE 6. INCOME TAXES

In preparing its financial statements, the Company estimates income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These differences result in deferred income tax assets and liabilities. In addition, as of September 30, 2008, the Company had net operating losses ("NOLs") of approximately $120.5 million, of which $17.3 million are subject to annual limitations resulting from the change in control provisions in Section 382 of the Internal Revenue Code. These NOLs begin to expire in 2011. A valuation allowance is recorded to reduce net deferred income tax assets to the amount that is more likely than not to be realized. Based on its history of losses, the Company recorded a valuation allowance as of September 30, 2008, equal to the full amount of net deferred income tax assets including those related to NOLs.

NOTE 7. STOCKHOLDERS' EQUITY

The Company issued an aggregate of 526,000 restricted stock units to certain employees in the nine months ended September 30, 2008.

A summary of restricted stock unit (RSU) activity follows:

	Number of RSUs	Weighted Average Grant-Date Fair Value
Balance at January 1, 2008	626,641	$ 15.18
RSUs granted	526,000	6.31
RSUs vested	(177,875)	14.86
RSUs forfeited	(42,000)	8.86
Balance at September 30, 2008	932,766	$ 10.52

On December 7, 2007, the Company completed a tender offer that allowed 30 employees to amend or cancel certain options to remedy potential adverse personal tax consequences. Additionally, the Company entered into an agreement with four officers of the Company not eligible to participate in the tender offer to amend their options to also remedy potential adverse personal tax consequences. As a result, the Company amended 572,000 options granted after October 29, 2003 that, for financial reporting purposes, were or may have been granted at a discount to increase the option grant price to the fair market value on the date of grant and issued to the employee a dollar denominated RSU for the difference in option grant price between the amended option and the original discounted price. The dollar denominated RSUs were settled in shares on March 7, 2008 and resulted in the issuance of 265,668 shares of common stock. The Company accounted for this transaction as an increase to common stock and additional paid-in-capital, with the offsetting decrease to other current liabilities.

In April 2008, in conjunction with the termination of certain individuals, the Company amended 440,000 fully vested outstanding options. For each affected option, the exercisable period was extended from three to twelve months. In accordance with SFAS No. 123(R), the Company valued the modified options immediately before and immediately after the modification using current market conditions. This valuation resulted in $320,000 being recorded as incremental stock-based compensation expense in the current period. For the nine months ended September 30, 2008, $83,000 is included in research and development expenses and the remainder is included in selling, general and administrative expenses, all of which was recorded in the second quarter of 2008.

The fair value of the amended options was determined using the Black-Scholes option valuation model with the following weighted average assumptions:

Expected life (in years)	1.00
Volatility	52.54%
Risk free interest rate—options	1.34 – 1.97%
Dividend yield	0.0%

Additionally, the vesting of certain terminated individuals restricted stock units was accelerated. The acceleration resulted in a non-cash charge of $505,000. For the nine months ended September 30, 2008, $120,000 is included in research and development expenses and the remainder is included in selling, general and administrative expenses, all of which was recorded in the second quarter of 2008.

The Company signed an agreement on April 28, 2008 (the "MSLO Agreement") with Martha Stewart Living Omnimedia, Inc. ("MSLO"). The Agreement creates a three-year relationship involving marketing and promotional activities with both Martha Stewart and Emeril Lagasse for the Company's residential products, including, among other things, certain licensed rights to marketing collateral, access to their television shows and websites and their personal appearances at Company functions. Certain provisions of the MSLO Agreement survive termination.

Upon execution of the MSLO Agreement, the Company issued 381,049 shares of its common stock to MSLO (valued at approximately $3.1 million) and issued MSLO a six-year warrant to purchase an additional 454,000 shares of common stock at an exercise price of $8.26 per share (valued at approximately $2.1 million) and in January 2009 and January 2010 TurboChef must provide MSLO with an additional $2.5 million of stock (valued at the then-current market value) or cash (at the Company's option). The initial issuance of shares and warrant, valued at $5.2 million, is included in prepaid expenses on the accompanying unaudited condensed consolidated balance sheets and will be amortized ratably into selling, general and administrative expenses over the remainder of 2008. The second and third payments of $2.5 million each will be recorded as a prepaid expense and will be amortized ratably into selling, general and administrative expenses as services are to be rendered.

At the Company's request, MSLO will assist TurboChef in creating a joint marketing relationship with a retailer that the parties may agree upon. Success in that effort, as described in the MSLO Agreement, shall cause TurboChef to provide MSLO with an additional $2.5 million of stock or cash (at TurboChef's option), and TurboChef has agreed to pay MSLO a royalty for three years for products sold through such a retailer.

In September 2008, the Company issued 297,712 shares of common stock, with a value of $1.8 million, as the equity portion of the final installment of contingent consideration payable under the terms of the Global Purchase Agreement.

NOTE 8. CREDIT FACILITY

In February 2008, the Company entered into an Amended and Restated Credit Agreement with Bank of America, N.A. (the 2007 Credit Agreement). The 2007 Credit Agreement allows the Company to borrow up to $20.0 million at any time under the revolving credit facility, based upon a portion of the Company's eligible accounts receivable and inventory. The 2007 Credit Agreement also provides for a letter of credit facility within the credit limit of up to $5.0 million. Revolving credit loans under the 2007 Credit Agreement bear interest at a rate of the British Bankers Association LIBOR Rate plus 2.5% (7.50% as of September 30, 2008), unless for certain reasons Eurodollar Rate Loans are unavailable, then at a rate of 2.5% over the higher of the Federal Funds Rate plus 0.5% and Bank of America's prime rate. The Company's obligations under the 2007 Credit Agreement are secured by substantially all of the assets of the Company and its subsidiaries. The 2007 Credit Agreement contains customary affirmative and negative covenants and acceleration provisions. The credit commitment expires on February 28, 2009, and any outstanding indebtedness under the 2007 Credit Agreement will be due on that date. As of December 31, 2007, the Company had outstanding indebtedness of $9.0 million under the 2007 Credit Agreement which was repaid on February 28, 2008. At September 30, 2008, the Company had outstanding indebtedness of $6.0 million under the 2007 Credit Agreement, and the borrowing base limitations permitted the Company to borrow an additional $2.7 million, inclusive of $812,000 in outstanding letters of credit.

NOTE 9. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

The Company is party to legal proceedings from time to time that arise in the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, the Company does not believe that the outcome of any outstanding legal proceedings, individually or in the aggregate, will have a material adverse effect on the future results of operations or financial condition of the Company. For further information on legal proceedings, see "Legal Proceedings" in Part II, Item 1, of this report and the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

NOTE 10. SEGMENT INFORMATION AND CUSTOMER CONCENTRATIONS

SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, establishes standards for the way in which public companies are to disclose certain information about operating segments in their financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

The results from operations are reported using two reportable operating segments: Commercial and Residential. The Commercial and Residential segments include the operations of each of the respective product lines excluding corporate expenses, described below, other income (expense) and income taxes.

The accounting policies of the operating segments are the same as those described in Summary of Significant Accounting Policies. The Chief Operating Decision Maker evaluates performance of the segments based on operating income. Costs excluded from this profit measure primarily consist of corporate expenses, other income (expense) and income taxes. Corporate expenses are primarily comprised of corporate overhead expenses. Thus, operating income includes only the costs that are directly attributable to the operations of the individual segment. The Company does not currently account for or report to the Chief Operating Decision Maker its assets or capital expenditures by segments.

Information about the Company's operations by operating segment follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Commercial:				
Revenues	$ 19,878	$ 32,228	$ 64,721	$ 73,527
Net income	2,171	5,997	6,591	10,484
Residential:				
Revenues	$ 433	$ 265	$ 1,258	$ 265
Net loss	(3,569)	(3,035)	(12,363)	(10,008)
Corporate:				
Revenues	$ —	$ —	$ —	$ —
Net loss	(3,585)	(4,726)	(10,313)	(13,675)
Totals:				
Revenues	$ 20,311	$ 32,493	$ 65,979	$ 73,792
Net loss	(4,983)	(1,764)	(16,085)	(13,199)

The Company does not have significant assets outside of the United States. Total revenues by geographic region for the three and nine months ended September 30 are as follows (in thousands):

REGION	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
North America				
Commercial:	$ 16,891	$ 28,807	$ 54,686	$ 63,743
Residential:	433	265	1,258	265
Total North America revenue:	17,324	29,072	55,944	64,008
Europe and Asia/Pacific				
Commercial:	2,987	3,421	10,035	9,784
Residential:	—	—	—	—
Total Europe and Asia/Pacific revenue:	2,987	3,421	10,035	9,784
Totals	$ 20,311	$ 32,493	$ 65,979	$ 73,792

The Company is generally subject to the financial conditions of commercial food service operators and related equipment providers; however, management does not believe that there is significant credit risk with respect to trade receivables. Additionally, the Company had been subject to customer concentration resulting from the initial rollouts of several large customers. For the three months ended September 30, 2008 and 2007, 37% and 69% of the Company's sales were made to three customers, respectively. For the nine months ended September 30, 2008 and 2007, 44% and 66% of the Company's sales were made to three customers, respectively. As of September 30, 2008, 24% of the outstanding accounts receivable were related to two customers.

NOTE 11. ACQUISITION BY THE MIDDLEBY CORPORATION

On August 12, 2008, the Company announced that it had agreed to be acquired by The Middleby Corporation (“Middleby”). At the effective time of the Merger (the "Effective Time"), each issued and outstanding share of TurboChef's common stock will be automatically converted into the right to receive 0.0486 shares (the "Exchange Ratio") of the common stock of Middleby ("Middleby Common Stock") and $3.67 in cash (the "Cash Consideration", and together with Middleby Common Stock, the "Merger Consideration") for a total value of $6.47 based on Middleby's closing stock price of $57.60 on August 11, 2008, the last trading date prior to the announcement of the contemplated transaction. Based on the closing sale price for Middleby Common Stock on November 7, 2008, the latest practicable trading date before the filing of this report, the 0.0486 of a share of Middleby Common Stock and $3.67 in cash represented approximately $5.35 in value for each share of TurboChef common stock. Consummation of the Merger is subject to various conditions, including the approval of TurboChef's stockholders and other customary closing conditions. The agreement includes a break-up fee of $7.0 million, which is payable by the Company to Middleby if the Company terminates the agreement under certain circumstances. The Company anticipates closing the transaction in 2008.

NOTE 12. SUBSEQUENT EVENTS

In October 2008, the Company made additional headcount reductions across the entire business. The Company expects to record charges of $1.9 million in the fourth quarter of 2008, of which approximately $1.3 million is expected to be non-cash.

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Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Statements of Middleby

On January 5, 2009, The Middleby Corporation ("Middleby" of the "company') announced that it had completed the acquisition of TurboChef Technologies, Inc. The following unaudited pro forma condensed combined financial statements are designed to show how the merger of Middleby and TurboChef might have affected the historical financial data of Middleby, giving effect to the merger as if it had been consummated at an earlier date. The following unaudited pro forma condensed combined financial statements give effect to the merger as if it had been completed on September 27, 2008, with respect to the pro forma balance sheet, and as of December 31, 2006 (the first day of Middleby's fiscal year 2007), with respect to the pro forma statement of earnings. The historical financial statements have been adjusted to give effect to pro forma events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact of the combined results. Additionally, the following unaudited pro forma condensed combined financial statements also give effect to the December 31, 2007 Middleby acquisition of New Star International Holdings, LLC ("New Star"). The unaudited pro forma financial statements give effect to the New Star acquisition as if it had been completed on December 31, 2006 (first day of Middleby's fiscal year 2007) with respect to the pro forma statement of earnings. Middleby's statement of earnings for the nine month period ended September 27, 2008 and the balance sheet at September 27, 2008, include the results of New Star.

The following unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting with Middleby treated as the acquiring entity and reflect adjustments, which are based upon preliminary estimates, to allocate the estimated purchase price to TurboChef's assets acquired and liabilities assumed. The following unaudited pro forma condensed combined financial statements are based on TurboChef stockholders receiving 0.0486 of a share of Middleby common stock and $3.67 in cash for each share of TurboChef common stock in the merger. The purchase price allocation reflected herein is preliminary insofar as the final allocation will be based upon the actual purchase price, including transaction costs and the actual assets acquired and liabilities assumed of TurboChef as of the date of the completion of the merger. The excess of the purchase price over the estimated fair values of TurboChef 's assets acquired and liabilities assumed is recorded as other identifiable intangible assets and goodwill. Additionally, Middleby has yet to complete the detailed valuation studies necessary to finalize the purchase price allocation. Accordingly, the final purchase price allocation, which will be determined subsequent to the closing of the merger, may differ materially from the preliminary allocation included in this section, although these amounts represent Middleby management's best estimates as of the date of this document..

Preparation of the unaudited pro forma condensed combined financial statements was based on estimates and assumptions deemed appropriate by Middleby's management. The pro forma adjustments and certain other assumptions are described in the accompanying notes. The pro forma condensed combined financial statements are unaudited and are presented for illustrative purposes only. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial condition or results of operations that actually would have been realized had the merger been competed on the dates indicated above. In addition, the following unaudited pro forma financial statements do not purport to project the future financial condition or results of operations of the combined company. Middleby management has not completed an evaluation of TurboChef's accounting policies and practices to determine if they conform to Middleby's accounting policies and practices. Any changes identified by management may impact the future combined results of operations of Middleby and TurboChef. The pro forma financial information does not include the effects of expected operating synergies and cost savings related to the acquisition. The pro forma financial information also does not include costs for integrating TurboChef and Middleby. The pro forma financial information does not include the impact of Statement of Financial Accounting Standards ("SFAS") No. 141(R), *Business Combinations,* adopted by Middleby on January 4, 2009 (first day of Middleby's fiscal year 2009).

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
(in thousands, except share data)

	Middleby Sept. 27, 2008	TurboChef Sept. 30, 2008	Pro Forma Adjustments for the Acquisition	Pro Forma for the Acquisition
ASSETS				
Current assets:				
Cash and cash equivalents	$ 7,027	$ $ 7,007	$ (7,007)(a)	$ 7,027
Accounts receivable, net	91,633	11,023	-	102,656
Inventories, net	94,360	16,513	2,898(b)	113,771
Prepaid expenses and other	9,697	8,615	(1,964)(c)	16,348
Prepaid taxes	7,627	-	-	7,627
Current deferred taxes	14,788	-	-	14,788
Total current assets	225,132	43,158	(6,073)	262,217
Property, plant and equipment, net	44,562	6,589	-	51,151
Goodwill	248,779	5,934	103,860(d)	358,573
Other intangibles	125,726	8,445	63,905(e)	198,076
Deferred tax asset	—	—	4,016(f)	4,016
Other assets	3,836	94	741(g)	4,671
Total assets	$ 648,035	$ 64,220	$ 166,449	$ 878,704
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current maturities of long-term debt	$ 7,803	$ 6,000	$ (6,000)(h)	$ 7,803
Accounts payable	34,377	12,616	-	46,993
Accrued expenses	98,535	16,472	2,646(i)	117,653
Total current liabilities	140,715	35,088	(3,354)	172,449
Long-term debt	249,850	-	132,089(j)	381,939
Long-term deferred tax liability	20,856	-	(20,856)(k)	-
Other non-current liabilities	18,847	899	2,500(l)	22,246
Stockholders' equity:				
Middleby preferred stock, $.01 par value; 2,000,000 shares authorized; none issued	-	-	-	-
TurboChef preferred stock, $1 par value, 5,000,000 shares authorized; none issued	-	-	-	-
TurboChef preferred membership units exchangeable for shares of common stock	-	380	(380)(m)	-
Middleby common stock, $.01 par value, 47,500,000 shares authorized; 21,068,556 shares issued in 2008	120	-	-	120
TurboChef common stock, $.01 par value, 100,000,000 shares authorized; 30,721,565 shares issued in 2008	-	307	(307)(n)	-
Paid-in capital	106,739	185,657	(101,354)(o)	191,042
Middleby treasury stock at cost; 4,074,713 shares in 2008	(102,000)	-	-	(102,000)
Retained earnings (accumulated deficit)	213,484	(158,111)	158,111(p)	213,484
Accumulated other comprehensive income	(576)	-	-	(576)
Total stockholders' equity	217,767	28,233	56,070	302,070
Total liabilities and stockholders' equity	$ 648,035	$ 64,220	$ 166,449	$ 878,704

The accompanying Notes to Pro Forma Condensed Combined Financial Statements are an integral part of these statements.

UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENTS OF EARNINGS
(in thousands, except per share data)

	Nine Months Ended			
	Middleby Sept. 27, 2008	TurboChef Sept. 30, 2008	Pro Forma Adjustments for the Acquisition	Pro Forma for the Acquisition
Net sales	$ 500,868	$ 65,979	$ (262)(q)	$ 566,585
Cost of sales	310,221	43,732	(262)(r)	353,691
Gross profit	190,647	22,247	-	212,894
Selling and distribution expenses	49,743	19,916	-	69,659
General and administrative expenses	51,443	17,767	3,475(s)	72,685
Income (loss) from operations	89,461	(15,436)	(3,475)	70,550
Interest expense and deferred financing amortization, net	9,910	668	5,780(t)	16,358
Other expense, net	1,798	(19)	-	1,779
Earnings (loss) before income taxes	77,753	(16,085)	(9,255)	52,413
Provision (benefit) for income taxes	31,165	-	(10,136)(u)	21,029
Net earnings (loss)	$ 46,588	$ (16,085)	$ 881	$ 31,384
Net earnings (loss) per share:				
Basic	$ 2.91	$ (0.53)		$ 1.79
Diluted	$ 2.72	$ (0.53)		$ 1.68
Weighted average number of shares				
Basic	15,985	30,269		17,525
Diluted	17,143	30,269		18,683

The accompanying Notes to Pro Forma Condensed Combined Financial Statements
are an integral part of these statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF EARNINGS
(in thousands, except per share data)

	Twelve Months Ended				Twelve Months Ended		
	Middleby Dec. 29, 2007	New Star Nov. 30, 2007(1)	Pro Forma Adjustments	Pro Forma for the Acquisition	TurboChef Dec. 31, 2007	Pro Forma Adjustments	Pro Forma for the Acquisition
Net sales	$ 500,472	$ 92,041	$ -	$ 592,513	$ 108,106	$ (350)(q)	$ 700,269
Cost of sales	308,107	59,719	-	367,826	71,590	(350)(r)	439,066
Gross profit	192,365	32,322	-	224,687	36,516	-	261,203
Selling and distribution expenses	50,769	9,512	-	60,281	17,267	-	77,548
General and administrative expenses	48,663	10,457	2,447(v)	61,567	36,392	4,517(s)	102,476
Income (loss) from operations	92,933	12,353	(2,447)	102,839	(17,143)	(4,517)	81,179
Interest expense and deferred financing amortization, net	6,336	2,768	9,557(w)	18,661	97	8,337(t)	27,095
Other (income) expense, net	(1,382)	197	(236)(x)	(1,421)	(6)	-	(1,427)
Earnings (loss) before income taxes	87,979	9,388	(11,768)	85,599	(17,234)	(12,854)	55,511
Provision (benefit) for income taxes	35,365	3,430	(4,707)(y)	34,088	-	(12,035)(u)	22,053
Net earnings (loss)	$ 52,614	$ 5,958	$ (7,061)	51,511	(17,234)	$ (819)	$ 33,458
Net earnings (loss) per share:							
Basic	$ 3.35				$ (0.59)		$ 1.94
Diluted	$ 3.11				$ (0.59)		$ 1.81
Weighted average number of shares							
Basic	15,694				29,295		17,219
Diluted	16,938				29,295		18,463

The accompanying Notes to Pro Forma Condensed Combined Financial Statements are an integral part of these statements.

(1) Statement of earnings information for New Star represents the twelve month period ended November 30, 2007.

NOTES TO PRO FORMA
COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

(1) PURCHASE PRICE

On January 5, 2009, The Middleby Corporation ("Middleby" of the "company') completed its previously announced acquisition of TurboChef Technologies, Inc.

The stock price used to determine the preliminary estimated purchase price is based on the average of the closing prices of Middleby common stock for the trading days from August 8, 2008 through August 14, 2008. The preliminary estimated purchase price also includes estimated other transaction costs. The estimated fair values of assets acquired and liabilities assumed are based on preliminary valuation. The final valuation and related allocation of the purchase price at the closing of the merger may be materially different from the allocation based on this preliminary valuation.

Preliminary calculation of the allocation of the purchase price to the estimated fair value of net assets acquired and liabilities assumed.

Preliminary estimated purchase price:		
Cash (31,680,409 shares at $3.67 per TurboChef share)	$	116,267
Middleby common stock (31,680,409 shares at 0.0486 Middleby shares at $54.754 per Middleby share)		84,303
Estimated transaction cost incurred by Middleby		16,829
Cash acquired		(7,007)
Debt assumed		6,000
Total purchase price	$	216,392

Preliminary estimated net assets acquired and liabilities assumed:

		Estimated Fair Value
Current assets	$	37,085
Property, plant and equipment		6,589
Deferred tax assets		24,872
Other assets		835
Current liabilities		(31,734)
Other non-current liabilities		(3,399)
Total net assets acquired and liabilities assumed	$	34,248

Preliminary estimated intangible assets acquired:

		Estimated Fair Value	Estimated Amortizable Life
Trade name	$	40,000	Indefinite
Customer relationships		25,000	6 years
Developed technology		7,000	5 years
Backlog		350	3 months
Total intangible assets acquired	$	72,350	
Goodwill	$	109,794	
Total purchase price	$	216,392	

(2) PRO FORMA ADJUSTMENTS

Balance Sheet

(a) Reflects the elimination of TurboChef's cash on hand used to reduce the amount of debt necessary to fund the merger.

(b) Reflects the estimated valuation of TurboChef inventory to fair value which is expected to turn out of inventory and impact cost of goods sold in the first 90 days following the completion of the merger.

(c) Reflects the elimination of TurboChef prepaid expense related to a contractual agreement that is not expected to be utilized after the merger is complete.

(d) Represents the addition of $109,794 in goodwill arising from Middleby's acquisition of TurboChef, net of the elimination of TurboChef existing goodwill of $5,934.

(e) Represents the estimated addition of $72,350 in other intangibles based on preliminary valuation arising from Middleby's acquisition of TurboChef, net of the elimination of TurboChef existing unamortized other intangibles of $8,445. The other intangibles addition arising from the acquisition of TurboChef include $40,000 related to the trade name, $25,000 to customer relationships, $7,000 to developed technology and $350 to backlog. Customer relationships, developed technology and backlog will be amortized using straight line method over a period of 6 years, 5 years and 3 months, respectively.

(f) Represents the reversal of a valuation allowance of $52,866 associated with deferred tax assets that had been determined to be unrealizable by TurboChef, but more likely than not will be realizable by Middleby as a result of the merger, net of the reclass of $48,850 related to the combined company's deferred tax position following the completion of the merger.

(g) Represents the deferral of $811 in estimated costs incurred in connection with the TurboChef acquisition financing, net of the elimination of $70 in unamortized deferred financing costs related to TurboChef's debt financing agreement. The $811 of deferred financing costs relate to Middleby's additional debt financing in conjunction with the acquisition of TurboChef which will be amortized over the remaining 4 1/2 years of the amended financing agreement.

(h) Reflects the elimination of TurboChef current portion of debt financing of $6,000 which will be repaid at closing.

(i) Represents the establishment of current liabilities related to a contractual obligation of $2,500 and idle lease facilities of $146 that are not expected to be utilized after the merger is complete.

(j) Reflects $116,267 of estimated cash paid at closing, the addition of $16,829 in transaction costs, net of the elimination of TurboChef cash on hand of $7,007 and the repayment of TurboChef current maturities of long term debt of $6,000.

Cash paid at closing	$	116,267
Estimated transaction costs		16,829
Repayment of existing TurboChef debt		6,000
TurboChef cash on hand		(7,007)
Total additional Middleby debt	$	132,089

(k) Represents the reclassification of Middleby's deferred tax position of $20,856. Based on estimated TurboChef net operating losses that will be recorded as deferred tax assets upon closing of the merger, on a pro forma consolidated basis, Middleby will have a net deferred tax asset position.

(l) Represents the establishment of non-current liabilities related to a contractual obligation of $2,500 that is not expected to be utilized after the merger is complete.

(m) Represents the elimination of TurboChef preferred membership units exchangeable for shares of common stock of $380.

(n) Represents the elimination of TurboChef common stock of $307.

(o) Represents the elimination of TurboChef's historical paid in capital of $185,657 net of Middleby's increased paid in capital of $84,303 in conjunction with the issuance of Middleby common shares to TurboChef shareholders. Based on terms of the merger agreement and preliminary estimates of the closing purchase price, Middleby will issue an additional 1,539,668 shares of Middleby common stock.

(p) Represents the elimination of the accumulated deficit of TurboChef of $158,111.

Income Statement

(q) Reflects the elimination of TurboChef's royalty income derived from Middleby of $262 for the combined nine month period.

Reflects the elimination of TurboChef's royalty income derived from Middleby of $350 for the combined twelve month period.

(r) Reflects the elimination of Middleby's royalty expense of $262 for the combined nine month period.

Reflects the elimination of Middleby's royalty expense of $350 for the combined twelve month period.

(s) Reflects the elimination of TurboChef's intangible amortization of $1,050 and the addition in intangible amortization of $4,525 associated with Middleby's purchase of TurboChef for the combined nine month period.

Reflects the elimination of TurboChef's intangible amortization of $1,400 and the addition in intangible amortization of $5,917 associated with Middleby's purchase of TurboChef for the combined twelve month period.

(t) Represents the elimination of $266 of TurboChef interest expense, the elimination of $133 interest income, the addition of Middleby interest expense of $5,944 related to increased debt borrowings, the elimination of $166 of TurboChef amortization of deferred financing costs and the addition of $135 of amortization of deferred financing costs related to Middleby's additional debt borrowings for the combined nine month period. Middleby estimated an interest rate of 6% on its borrowings related to the acquisition financing. A 1/8% change in the actual interest rate would result in a $124 change in the assumed interest rate expense for the combined nine month period.

Represents the elimination of $265 of TurboChef interest expense, the elimination of $638 interest income, the addition of Middleby interest expense of $7,925 related to increased debt borrowings at an estimated rate of 6%, the elimination of $141 of TurboChef amortization of deferred financing costs and the addition of $180 of amortization of deferred financing costs related to Middleby's additional debt borrowings for the combined twelve month period. Middleby estimated an interest rate of 6% on its borrowings related to the acquisition financing. A 1/8% change in the actual interest rate would result in a $165 change in the assumed interest rate expense for the combined twelve month period.

(u) Reflects the net reduction of $10,136 to the tax provision resulting from the tax impact of the pro forma changes to pre-tax income as described in notes (a) through (t) for the combined nine month period utilizing a combined estimated statutory rate of 40%.

Reflects the net reduction of $12,035 to the tax provision resulting from the tax impact of the pro forma changes to pre-tax income as described in notes (a) through (t) for the combined twelve month period utilizing a combined estimated statutory rate of 40%.

(v) Reflects the elimination of New Star's intangible amortization of $1,881 and the addition of intangible amortization of $4,328 associated with Middleby's purchase of New Star for the combined twelve month period.

(w) Represents the elimination of $2,768 of New Star's interest expense, the addition of Middleby interest expense of $11,280 related to a new debt facility at an estimated rate of 6%, the write-off of $725 of Middleby unamortized deferred financing costs related to its existing debt agreement and the addition of $320 of amortization of deferred financing costs related to Middleby's new debt financing agreement for the combined twelve month period.

(x) Represents the elimination of New Star's management fee of $236 for the combined twelve month period.

(y) Reflects the net reduction of $4,707 to the tax provision resulting from the pro forma changes to taxable income as described in notes (v) through (x) for the combined twelve month period utilizing a combined statutory rate of 40%.

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