BURNHAM

Burnham Holdings, Inc.
2008 Annual Report

2008

OUR PHILOSOPHY IS TO BE:

A company whose products are efficient, safe, reliable, and the best value in the industry.

A company whose customers recommend us to others because we consistently exceed their expectations.

A company where the best people want to work.

A company whose success can be measured in the growth of its people, its market share and its earnings.

OUR GUIDING PRINCIPLES ARE:

performance – We are always striving to improve our service and to be a state-of-the-art supplier; we encourage the entrepreneur in each of us.

relationships – We treat customers and suppliers as partners; we treat each other with respect.

growth – We seek new markets and new opportunities; we innovate to get and keep customers.

integrity – We keep our word because we're Burnham.

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INTEGRITY

The foundation for Burnham's success has come from the trust we have built with our customers, vendors, and employees. Our commitment to produce high-value, high-quality products backed by superior service is something that our customers and vendors expect. We recognize that our integrity is vital to the continued success of our business.

STABILITY

Burnham brands are some of the best-known names in the business. Our commitment to new product enhancement and innovation, long-term customer and supplier relationships, reliable financial performance and dividends has made Burnham a rock-solid, dependable company.

DIVERSIFICATION

From industrial scotch marine boilers to residential gas & oil heating units to high-efficiency air conditioners and water heaters, Burnham Holdings, Inc., has assembled the widest array of product offerings in the industry for our extensive customer base. Through a combination of eight major brands, we are able to service any geographic region, using various fuel alternatives, across all sectors of the market, including residential, commercial, and industrial applications.

COMPANY PROFILE

Burnham Holdings, Inc., is the parent company of the Burnham group of companies that together form a leading manufacturer of boilers, furnaces, radiators, air conditioning systems, and related accessories for residential, commercial, and industrial applications. The Burnham group provides high-value, high-quality products backed by superior service. The Company's products are manufactured at plants in the East, South and Midwest. The Burnham group has eight major brand names, marketed through eight independent sales organizations that are differentiated by product line and markets served.

The Burnham Hydronics, New Yorker, Governale, Thermo Pride, and Crown product lines offer a full range of cast iron, stainless steel, aluminum, and steel boilers, cast iron and steel heat distribution products, warm air furnaces, heat pumps and central air conditioning systems for the residential heating and cooling market. Typical applications of these products are for all styles and sizes of homes and small buildings.

The Burnham Commercial, Bryan Boilers, and Thermal Solutions product lines offer a full range of cast iron, firetube, watertube, and copper tube boilers as well as boiler room accessories for the commercial and industrial markets. Typical uses of these products are for heating large buildings and high-pressure steam generation for process applications.

The Burnham Foundry produces boiler castings for the affiliated manufacturing companies as well as outside customers. Wendland Manufacturing is a producer of both pressurized and non-pressurized tanks and vessels for liquid storage applications. Norwood Manufacturing is a manufacturer of painted light gauge metal parts.

The Company also markets many of its products internationally, working in conjunction with selected independent sales representatives worldwide.

Our commitment to product development and new market expansion drives the Company's industry leadership. Innovative vision and dedication to engineering excellence produces highly efficient, environmentally safe, state-of-the-art products. Burnham Holdings, Inc.'s affiliated companies offer a larger variety of types and models of boilers than any of their competitors. This variety and depth of market coverage, combined with superior product quality and extensive distribution channels, make the Burnham group unique in the American boiler industry.

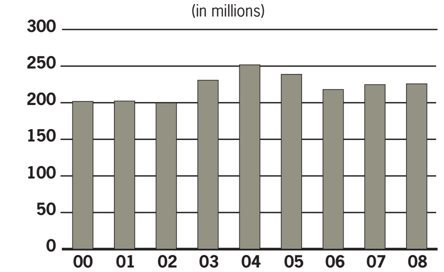
Burnham Holdings, Inc. 2008 Annual Report

FINANCIAL HIGHLIGHTS

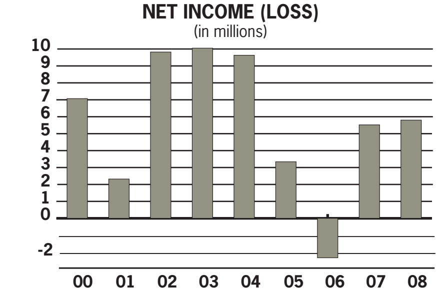
Burnham's results for 2008 reflect a year of solid financial performance and accomplishments. In spite of the unsettling business conditions of the year, Burnham experienced a year of stability while advancing its strategic initiatives for the longer term. With a firm foundation based on its core principles and philosophy, the Company is financially and operationally strong and poised to take advantage of future market opportunities.

- Net sales were $225.8 million and higher than in 2007. This increase was achieved in spite of lower residential industry levels due to the sharp decline in the housing market, the slowdown in the general economy, and reduced credit availability.
- The net income for 2008 was $5.8 million or $1.30 per share and higher than in 2007. Please see the "Review of Operations" for a discussion on financial performance.
- Operating income of $11.4 million was similar to last year, both in terms of dollars and as a percentage of sales. Selling, administrative and general expenses, as a percentage of sales, were at their lowest level in well over 10 years.
- Dividends of $0.68 per share were paid in 2008, the 68th consecutive year of paying a dividend.
- The balance sheet is sound, with appropriate levels of working capital and a conservative ratio of debt to equity. Debt, less interest rate swap instruments, declined from 2007, and is now at its lowest level in eleven years.
- Cash provided from operations of $5.7 million was lower than in 2007, mainly as a result of voluntary pension contributions and higher accounts receivables generated by strong November and December sales. Cash flow from operations over this period has supported Burnham's ability to fund normal operating expenses while also providing the funds to make necessary investments in capital assets, to make principal repayments, and to pay dividends to our stockholders.
- Accounting rules adopted in 2006 and the recent downturn in financial markets impacted Stockholders' Equity because of non-cash adjustments for postretirement benefit obligations. This is explained within the Pension Matters as well as the Liquidity and Capital Resources sections of the "Review of Operations" on page 12.

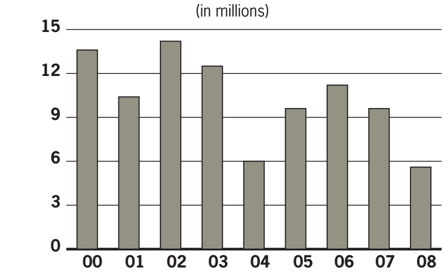
NET SALES
(in millions)



NET INCOME (LOSS)
(in millions)



CASH FLOW FROM OPERATIONS
(in millions)



(In millions, except per share data)	2008	2007	2006	Percent Change 2008/2007	Percent Change 2007/2006
Net Sales	$225.8	$224.7	$218.1	0.5%	3.0%
Net Income (Loss)	5.8	5.5	(2.3)	5.5%	N.A.
Debt, Less Interest Rate Swap Instruments	27.3	27.5	31.2	(0.7%)	(11.9%)
Total Debt	29.5	28.4	31.4	3.9%	(9.6%)
Working Capital	51.9	49.3	36.9	5.3%	33.6%
Total Assets	155.3	161.3	152.2	(3.7%)	6.0%
Total Stockholders' Equity [1]	71.8	90.6	81.2	(20.8%)	11.6%
Net Cash Provided by Operating Activities	5.7	9.6	11.2	(40.6%)	(14.3%)
Per Share Data					
Cash Flow from Net Income (Loss)	2.44	2.43	0.66	0.4%	268.2%
Basic Earnings from Net Income (Loss)	1.30	1.24	(0.53)	4.8%.	N.A.
Dividends Paid	0.68	0.68	0.92	0.0%	(26.1%)
Book Value [1]	16.05	20.28	18.17	(20.9%)	11.6%
Stock Price at Year-end	9.25	14.70	16.63	(37.1%)	(11.6%)
Market Capitalization at Year-end	41.2	65.4	74.0	(37.0%)	(11.6%)

[1] Please see discussions titled Pension Matters as well as the Liquidity and Capital Resources sections of the "Review of Operations" on page 12.

...a presentation of the various brands offered by the Burnham group of companies.

BURNHAM At A Glance

RESIDENTIAL

Burnham's extensive, state-of-the-art line of residential products provides homeowners with a full range of quality choices.

BRANDS	PRODUCT LINES	MARKETS SERVED	POSITION
Burnham Hydronics New Yorker Governale Thermo Pride CROWN Boiler	The Burnham Hydronics and New Yorker product lines feature residential cast iron, stainless steel, aluminum, and steel boilers. Burnham Hydronics also includes cast iron and steel heat distribution products, indirect water heaters, and a full line of radiant heating systems. The Governale line features cast iron radiators, baseboard, and convectors. The Thermo Pride product line includes warm air furnaces, heat pumps, and central air conditioning systems. The Crown line features cast iron and aluminum boilers, indirect water heaters, and warm air furnaces. A full line of related accessories is included under each brand.	Burnham Hydronics, New Yorker, Governale, and Crown brand products are sold through wholesale distributors who, in turn, market to builders, heating contractors, utilities, and fuel dealers for resale to residential customers. In addition, the marketing of the Burnham Hydronics brand, in partnership with its distributors, is promoted directly to the distributors' customers in order to develop brand loyalty. Thermo Pride products are sold directly to installing contractors and fuel dealers.	Burnham Hydronics products are recognized as the premium brand in the industry. This brand is also seen as the leader in bringing new and innovative products to the marketplace. The New Yorker, Governale, and Crown product lines are known for their high quality and dependable performance and are differentiated from the Burnham brand by the markets they serve. Thermo Pride is the premium line in the furnace and central air conditioning market.

COMMERCIAL

The Hopkins House, an upscale condominium complex in downtown Philadelphia, takes delivery of three Burnham Commercial Steel steam heating boilers.

BRANDS	PRODUCT LINES	MARKETS SERVED	POSITION
BURNHAM COMMERCIAL BRYAN BOILERS THERMAL SOLUTIONS	The Burnham Commercial product line features firetube boilers of scotch marine and firebox design as well as large modular and packaged cast iron boilers. The Bryan line features a broad selection of flexible watertube boilers. Both product lines include a full range of boiler room accessories such as deaerators, feedwater systems, and water treatment equipment. The Thermal Solutions line features compact, high-efficiency copper tube boilers and water heaters.	Commercial products are used for heating applications in large commercial, institutional and industrial facilities such as hospitals, hotels, and schools. The Burnham Commercial and Bryan lines also include high-pressure steam units used for process applications in manufacturing, food processing, and the chemical industries. Commercial products are sold primarily through independent sales representatives directly to contractors or end users.	Burnham Commercial, Bryan, and Thermal Solutions products all have reputations for quality and performance at the forefront of technological and environmental design. Burnham Commercial offers products of a firetube design for long-lasting durability and efficiency. The Bryan name is associated with a flexible bent tube line of boilers, a design pioneered by Bryan Steam, LLC, and a top choice in the industry. The Thermal Solutions line of copper boilers offers unparalleled heat transfer and high efficiency.

ASSOCIATED BUSINESSES

BURNHAM FOUNDRY, LLC, is a gray and ductile iron foundry business with broad experience in complex, thin-wall, iron pressure castings. This highly automated facility is a leading producer of boiler and radiator castings for the heating industry. WENDLAND MANUFACTURING CORP. is a producer of both pressurized and non-pressurized tanks and vessels for a wide variety of liquid storage applications including municipal water systems, wastewater treatment, and portable water heating. NORWOOD MANUFACTURING, INC., is a state-of-the-art manufacturer of painted light-gauge metal parts. These businesses are wholly-owned by Burnham Holdings, Inc., and are respected as quality leaders in their markets.

LETTER TO OUR STOCKHOLDERS

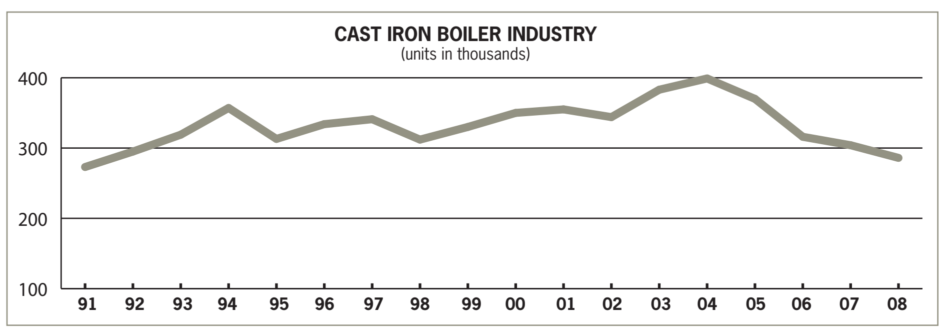
Albert Morrison, III
Chairman, President, and CEO

I am pleased to report that Burnham Holdings, Inc. had a good year in 2008 in spite of difficult economic conditions. Sales and profits were up over 2007. The balance sheet ended strong with high liquidity and the lowest level of debt in many years.

Market demand for residential heating equipment is highly seasonal during the course of the year and highly cyclical over a period of years, typically with strong demand during good economic times and soft demand during poor economic times. Chart I, below, plots market demand for cast iron boilers, one of our core businesses, over the past seventeen years. The last cyclical high was in 2004, coincident with the boom in housing and real estate; 2008 was the weakest year since the recession of 1991. While the Company markets many other types of heating equipment, the pattern of Chart I is typical of residential heating equipment, generally, including products supplied by major HVAC manufacturers such as Carrier, Trane, and Lennox.

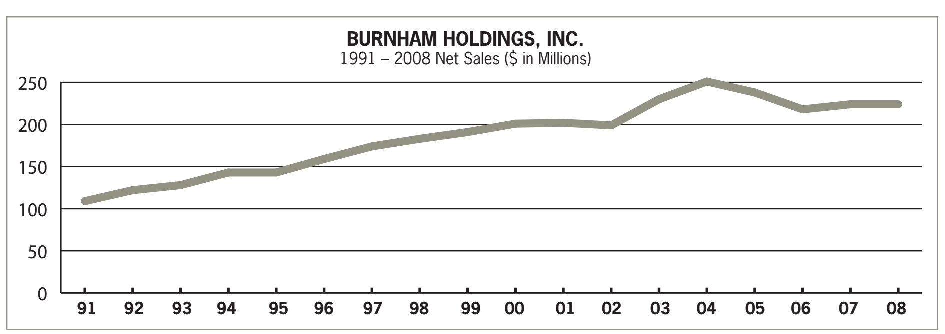
The Company has invested heavily in new product development and strategic acquisitions over the long term as a strategy to grow and diversify and to mitigate some of the volatility of the market. This is reflected in Chart 2, below, which plots Company sales during the same period of time. Sales display a long trend of consistent growth through the record market levels of 2004 and then stability during the last several years as the economy and market have gone into recession. Commercial sales have helped to offset softness in the residential markets during this time, as have increased sales of our new high-efficiency boilers and product pricing. To put things in perspective, the residential market in 2008 for all of our products was down 26% in units from 2004, while Company sales were down 10%.

Chart 1



Cast iron boilers sold by all manufacturers since 1991— an indicator of market demand for the past 17 years.

Chart 2



Net sales show a nearly continuous upward trend for the past 17 years. 2008 was our fourth best sales year.

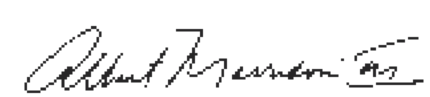
Looking ahead, we expect market conditions to be challenging until the economy eventually recovers, and credit availability, housing, real estate activity, and consumer confidence return to a more normal level. For the long term, we are very optimistic about our market opportunities. Boilers have been a popular product for heating in the northeast quadrant and across the northern tier of the country for decades, thus the installed base of equipment is vast, numbering in the millions. Over time, these existing boilers will require replacement because of age or substandard efficiency. Rising energy costs and conservation efforts will increase demand for more sophisticated, high-efficiency equipment and related accessories and controls. This will enhance what historically has been a profitable and lucrative replacement market for manufacturers, wholesalers and contractors alike. Basically, every building owner in the market for a new boiler or furnace wants a safe, reliable product that will lower his or her fuel bill. Overall, the heating business has served us well and provides a solid base for future growth and financial success. Listed below are some key factors and financial highlights that are very positive for our business in 2009 and beyond:

- People are the key to everything. We employ 1,000 people with a level of experience and a commitment of purpose that is unmatched by competition. With our eight product brands, ranging from residential to industrial, we have by far the largest sales force in the industry.
- We have a very powerful lineup of high-efficiency products across our various business areas. Many of the products are entirely new designs that have been brought to market during the last several years. Many more are in development for 2009 and beyond. We can provide top-quality, high-value boilers for virtually any application.
- Our manufacturing facilities are strategically located, well maintained, vertically integrated, and second to none in the industry. A number of new automated machines were installed in 2008 to further enhance quality and productivity. Noteworthy in 2008 was a complete replacement of the control system of the Foundry's Disamatic molding line to bring the electronics up to the current state of the art. We have the ability to deliver a vast array of product models in season in a shorter time, at a lower cost, with less inventory than ever before.
- Our operating margin, as a percentage of sales (using the first in, first out method of inventory accounting), was the highest since 2004. Our selling, administrative, and general expenses, as a percentage of sales, were the lowest in over ten years.
- We are well financed, through a consortium of banks, at competitive rates, and were in compliance with all loan covenants as of year end.
- Our balance sheet is strong with appropriate levels of inventory and accounts receivable. Financed debt at year-end was also the lowest in over ten years, despite voluntary contributions to the pension trust to maintain appropriate funding levels in light of the new Pension Protection Act.

Ultimately the success of our firm depends on the skills and motivation of our employees. This strong financial performance in 2008, during a deep economic recession, was achieved only through the hard work and dedication of the entire organization. This team effort by all Burnham group employees is appreciated and respected by everyone.

As we look ahead we are very excited about the Company and our opportunities. I want to thank our employees, customers, vendors, and stockholders for their continued support and loyalty. We welcome your questions and comments at any time.

Sincerely,



Albert Morrison, III
Chairman, President, and CEO

PRODUCT DIVERSITY

From small residential applications, to enormous commercial projects, and everything in between, Burnham's group of companies proudly offers the most complete line of heating equipment available in the industry.

RESIDENTIAL INSTALLATION:
With fuel costs on the rise, the owners of this home sought a high-efficiency replacement for their previous boiler (an oil-fired boiler, converted from coal). Offering 95% efficiency, the Burnham Freedom boiler was the obvious choice.

RESIDENTIAL INSTALLATION:
The combination of value and flexibility make this New Yorker CL oil boiler the perfect solution for homes both large and small.

DALLAS COWBOYS STADIUM (UNDER CONSTRUCTION) ARLINGTON, TEXAS:
Providing heat for a structure with over 104 million cubic feet of interior space that will play host to 100,000 football fans, is a pretty tall order. To accomplish this herculean task, the team chose Bryan Boilers. When this facility opens for the 2009 season, six RW boilers will be providing the heat.

THE BREAKERS, RHODE ISLAND:
This prestigious mansion once served as the summer home of the Vanderbilt family. To heat this massive 65,000-sq.-ft. historical landmark, the Preservation Society of Newport County chose two Burnham Commercial MPC cast iron boilers.

FINANCIAL PERFORMANCE

Net sales for 2008 were $225.8 million, up from last year's $224.7 million. This sales gain was achieved in spite of a more challenging business environment in 2008. The residential portion of the business (approximately 65% of the Company's sales) continues to experience a cyclical downturn from the robust levels of 2004 (the record sales year for Burnham). As discussed in the "Letter to Our Stockholders," this decline is the result of an economic cycle that not only has impacted Burnham but also the overall industry. We believe this downturn is a result of a number of factors, including the sharp decline in the real estate market and its impact on home construction, fluctuating fuel prices, the slowdown in the general economy, and reduced credit availability. The 2008 market for our residential products was down 5% in units from 2007 and 26% from the record industry levels of 2004. Faced with these business conditions, we are encouraged that we have been able to maintain our sales levels during this cycle.

Our efforts over the past couple of years to consolidate and streamline operations have enabled us to improve quality, reduce material handling, improve productivity, and lower inventory levels while providing a very high level of customer service. Rising and fluctuating fuel costs have increased consumer emphasis on more energy–efficient products. In response to this consumer shift, the Company has introduced more new products over the last several years than at any other time in its history, as we aim to be at the forefront of the industry in this effort.

The commercial portion of our business services heating applications for large commercial, institutional and industrial facilities such as hospitals, factories, hotels, and schools. We experienced modest growth of commercial products in the previous four years, which mitigated the downturn of the residential portion of the business. However, in mid-2008, we began to feel the impact of constraints on spending in the commercial sector. Fortunately, we had strong order backlogs to begin the year and reasonable orders through most of the year that enabled the commercial group to finish 2008 only slightly behind the prior year's pace.

The majority of Burnham Holdings, Inc.'s consolidated revenue is derived from sales in the United States. International sales, which include Canada and Mexico, were 2.7% of reported 2008 revenues.

The net income for 2008 increased to $5.8 million, or $1.30 per basic share, compared to $5.5 million, or $1.24 per basic share, reported for 2007. The profitability growth achieved in 2008 was accomplished in spite of an extremely competitive pricing environment caused by the decline in industry units coupled with a surge in costs for raw materials and purchased parts that placed pressure on our margin structure.

With net sales relatively flat from last year, increased emphasis was placed on cost control in order to maintain operating margins. In late 2007, we began to experience increased material costs, which rapidly escalated as 2008 unfolded. Prices for commodity raw materials exceeded levels never seen before and only began to decline near the end of 2008, although year-end prices were still above the last prices paid in 2007. These increases impacted all sectors of business, and as a result, many of our purchased-parts suppliers also were forced to raise their prices. While we feel we buy as effectively as anybody in our industry, our costs for purchased parts and certain types of steel material have increased and remain at these higher levels into 2009. In total for 2008, the Company experienced costs above our material and energy standards by over $8 million. We have been steadily and systematically increasing our product prices throughout this period in order to recover the dramatic price increases and surcharges that have unfavorably impacted us over the last several years.

The Company's sales have always been highly seasonal; both residential and commercial sales follow patterns throughout the year, requiring us to produce inventory during off periods to meet expectations during peak periods. The dramatic increase of 2008 costs and the decision on when to build inventory, combined with an uncertain seasonal demand, was more challenging than in most years. Through strict spending policies and flexibility with our manufacturing capabilities, we were highly successful in this effort of balancing the building of inventory and covering the costs of fixed overhead, while having the stock necessary to meet expectations. As a result, manufacturing overhead expenses and production variances declined in 2008 from the prior year by over $1 million.

We have steadily continued our process of reducing selling, administrative and general expenses ("SG&A"). The 2008 SG&A expenses are at their lowest level, as a percentage

BURNHAM COMFORT WHERE PEOPLE LIVE...

Burnham provides a complete line of high-efficiency residential boilers to keep people's homes warm and comfortable. Many of these boilers are Energy Star certified and are available in a wide variety of gas-fired and oil-fired models.

of sales, for at least the last 10 years. This has been accomplished through a careful review of processes, personnel, and program justifications, to ensure that the Company is cost-benefiting from these services while continuing to meet the needs of its customers.

Operating income as a percentage of sales was 5.1% for both 2008 and 2007, and only our record year of 2004 had a better percentage in the last 5 years. Actual cost of goods sold as a percentage of sales was 77.9% in 2008 versus 76.6% in 2007, and SG&A decreased as a percentage of sales to 17.0% compared to 18.3% in 2007.

Management strives to ensure that our operating costs continue to be at a level that enables the Company to be highly competitive in the market. The actions taken over the last several years have lowered our ongoing cost structure and will enable us to remain competitive going forward. One measure that exemplifies this achievement is breakeven sales, defined as SG&A costs plus "Other income or expense" (mainly interest expense) divided by each year's operating margin percentage. In our record year of 2004 the measure of breakeven sales was $191 million. For 2008, this measure was $185 million, which was an improvement over the 2007 level of $188 million.

In addition, within the "Other income (expense)" section of the Statement of Operations, you will note expenses of $427 thousand and $549 thousand for 2008 and 2007, respectively, caused by the mark-to-market of interest rate swap instruments. These instruments are used to lock the interest rate on $15 million of the Company's variable rate debt to avoid large swings in future rates. Accounting rules require that changes in the fair value of these instruments, caused by fluctuations in interest rates, be recorded in the financial statements. These non-operational, non-cash charges are recorded on a quarterly basis but reverse themselves over the term of the instruments. Otherwise, the Company's net interest expense was reduced in 2008 because of lower borrowing rates.

PENSION MATTERS

The Company's pension plan (the "Plan") prevents it from obtaining any surplus assets of the Plan during a three-year period immediately following a change in control. The pension trust is managed by independent third-party administrators, under policies and guidelines established by the Employee Benefits Committee of the Board of Directors. It is a policy of the Employee Benefits Committee for the pension trust not to invest directly in Burnham Holdings, Inc., stock. Obligations and actuarial assumptions are presented in Note 9 of the financial statements. While the Company believes its assumptions are conservative in nature based on current knowledge, variables such as future market conditions, investment returns, and employee experience could affect results.

Steps have been taken over the past five years to protect retirees and benefits earned by eligible employees. Starting in 2003, the Plan was amended to state that newly hired, non-union employees would no longer be eligible for the benefit. In the ensuing years, the benefit has been eliminated for all new hires, and by the end of 2009 the benefit accrual will be limited to a closed group of union production employees. While not 100% frozen, these actions have materially reduced the growth of the pension liability in future years.

Current pension accounting, adopted in 2006, requires that the liability of the Plan be compared to the market value of the assets of the pension trust, as of December 31 of each year, and any excess or shortfall be recorded as a non-cash asset or a liability, as the case may be, on the balance sheet of the Company. While this gives a snapshot of the health of the Plan at a point in time, it does not consider that the pension liability is honored in the form of retiree benefit checks paid over a very long period of time or that the value of financial investments, in the pension trust can swing significantly with the economy.

At the end of 2007, pension trust assets were $124.7 million and the Plan liability was $114.0 million, with the excess of $10.7 million being recorded as an asset on the Company's balance sheet. In 2008, the Plan paid $6.0 million in expenses (mainly pension benefits) and the Company contributed $2.8 million to the trust. As a result of the downturn in the stock market and corresponding impact to the investments of the pension trust, the assets at the end of 2008 declined to $94.2 million. The 2008 liability increased by $500 thousand to $114.5 million. The resulting $20.3 million shortfall was recorded as a liability on the Company's balance sheet, resulting in a $21.0 million reduction in Stockholders' Equity (a reversal of the positive $10.7 from 2007 combined with the $20.3 million from 2008, both net of tax).

These entries are included in Stockholders' Equity in a subsection called Accumulated Other Comprehensive Income (Loss) ("AOCI") and have no direct bearing on the operation or financial condition of the Company. In addition to the pension, AOCI includes other non-cash items including mark-to-market adjustments for cash flow interest rate swap instruments and adjustments for retiree health benefits.

Cash contributions to the pension trust are tax deductible and do not impact the Company's earnings. Minimum mandatory contributions are determined by ERISA regulations as amended by the stringent Pension Protection Act of 2006. Pension assets significantly exceeded minimum required levels at the start of 2008. The Company made $2.8 million of voluntary contributions during 2008. The Company also believes any minimum required contributions in 2009 will not be material to its liquidity.

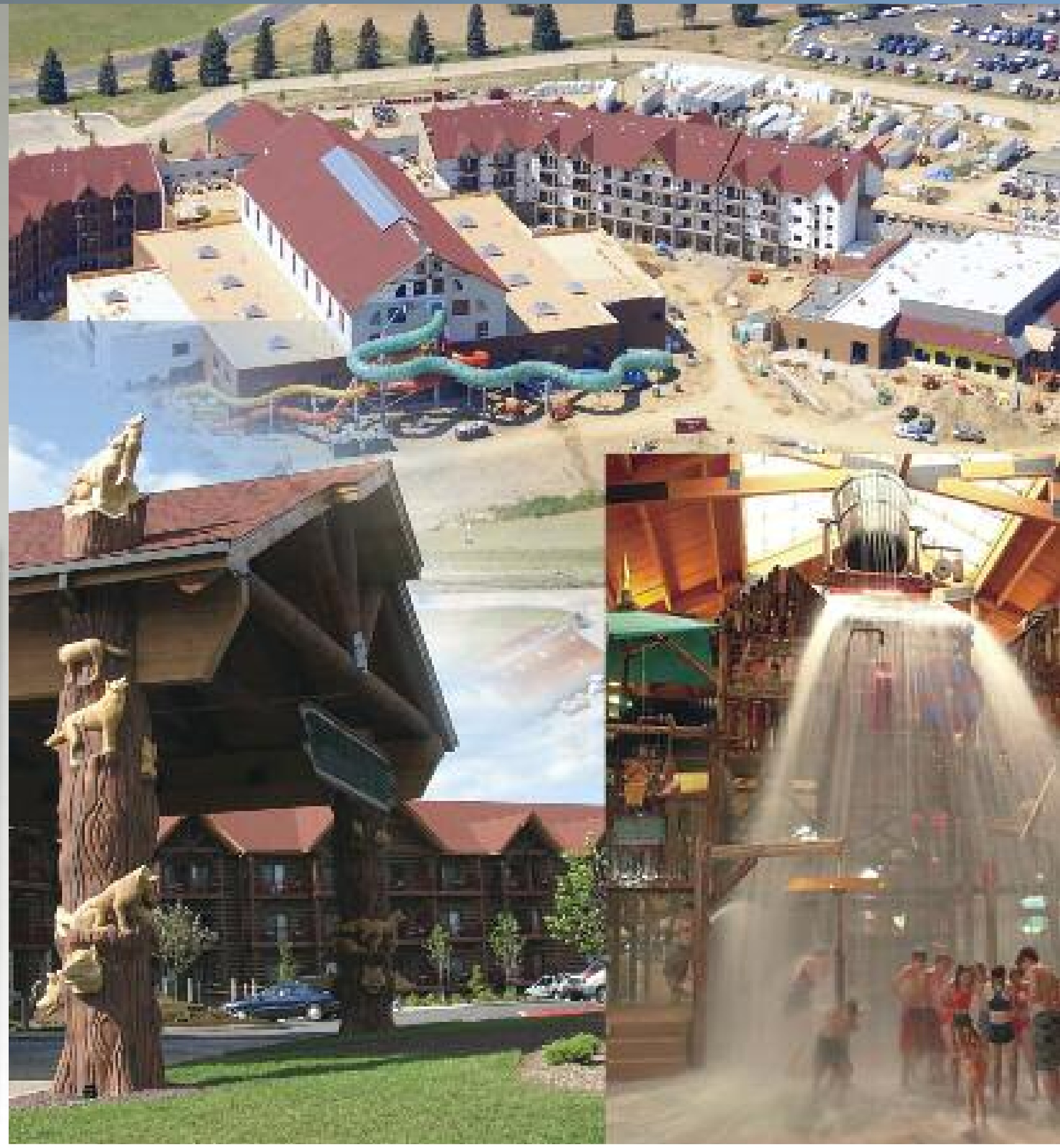
LIQUIDITY AND CAPITAL RESOURCES

The seasonal nature of our business requires the Company to maintain a keen focus on the balance between working capital levels and the debt structure required to support the operating needs of the business. Cash flow generated from operations provides the Company with a significant source of liquidity.

Net cash provided from operations in 2008 was $5.7 million, down from the $9.6 million of 2007. The two main reasons for this change were a $2.8 million (pre-tax) contribution to the Company's pension trust (while this payment does not impact the operating profits of Burnham, it is deductible for income taxes) and an increase in accounts receivable of $3.5 million from 2007 levels. The increase in receivables is solely a result of higher 2008 sales levels in November and December versus the previous year and will provide for increased cash flow during the 1st quarter of

BURNHAM COMFORT WHERE PEOPLE WORK AND PLAY...

Burnham products, including Thermal Solutions Evolution boilers, are used in many commercial facilities including family resorts and water parks nationwide. When people want the best in comfort, they turn to Burnham for long-lasting quality and reliability.



2009. Our internally measured Days Sales Outstanding ratio decreased year to year in spite of this difficult economic cycle. Our accounts receivable and inventory continue to be in tight control and appropriate for the business level. The cash provided by operations in 2008 and 2007 supported Burnham's ability to fund normal operating expenses while also providing the funds to make necessary investments in capital assets, meet principal requirements, and pay dividends to our stockholders.

Excluding the debt related to interest rate swap instruments, financed debt decreased to $27.3 million as a result of principal payments, down from $27.5 million last year, and is the lowest debt level in over 10 years. The debt related to interest rate instruments is the mark-to-market of our three interest rate swaps (which will reverse themselves over the terms of the agreements), and has increased inversely as interest rates have declined.

On March 1, 2007, all of the Company's debt, short-term lines of credit and long-term facilities (other than Industrial Revenue Bonds and State-assisted loans), were refinanced through a consortium of four banks under a new loan agreement (the "Revolver") totaling $72 million and a new letter of credit agreement (the "LOC") totaling $3 million. In 2008, both of these agreements were amended to extend the terms of the agreements by a year to May 2010, to provide an additional credit of up to $2 million for specific bank services, and to increase the LOC agreement to $3.5 million. Operating assets and certain other specific assets collateralize the Revolver and LOC. These agreements were obtained on the strength of the Company's balance sheet and our proven ability to monitor and control working capital levels. The agreements allow us to operate effectively, both through the economic cycles that occur from time to time and the seasonal nature of our business. The Revolver and LOC have various financial covenants, but no scheduled payments prior to maturity. As of December 31, 2008 and 2007, the Company was in compliance with all covenants as shown below:

dollars in thousands	December 2008	December 2007	
Funded Debt (1)	$ 24,541	$ 24,018	
Stockholders' Equity on FIFO basis (2)	109,186	102,544	Minimum level: $93,200 and $91,200 for 2008 and 2007, respectively
Debt Coverage Ratio (1)	6.01	5.14	Minimum Ratio: 1.35
Funded Debt to EBITDA (1)	1.64	1.42	Maximum Ratio: 6.00

(1) As defined by Revolver and LOC Agreement
(2) Stockholders' Equity excluding AOCI (shown below) plus LIFO inventory reserve (which can be found in "Inventories" Note 2 on page 23)

In addition to the Revolver, which is primarily used to fund working capital needs, the Company has used a combination of State-assisted loans and Industrial Revenue Bonds to finance specific equipment and facility expansions in both Pennsylvania and North Carolina. These loans have favorable repayment schedules and interest rates.

Key Liquidity Data and Other Measures:

dollars in thousands	December 2008	December 2007	December 2006
Cash & Marketable Securities	$ 3,608	$ 3,496	$ 3,218
Working Capital	51,929	49,259	36,889
Total Debt	29,460	28,417	31,361
Financed Debt (1)	27,332	27,482	31,157
Financed Debt (1) to Capital (2)	23.2%	23.8%	26.7%
Stockholders' Equity	71,769	90,613	81,191
AOCI	(18,847)	2,755	(4,437)
Stockholders' Equity (excluding AOCI)	90,616	87,858	85,628
Common Stock Price	$ 9.25	$ 14.70	$ 16.63
Book Value per share as reported	16.05	20.28	18.17
Book Value per share (excluding AOCI)	20.28	19.66	19.16

(1) Financed Debt is defined as Total Debt less mark-to-market non-cash liability related to interest rate swap instruments.
(2) Capital is defined as Stockholders' Equity (excluding AOCI) plus Financed Debt.

The Company believes at this time that its liquidity position, its capital structure, and its banking relationships are adequate to meet foreseeable future needs.

Burnham Holdings, Inc., is not a party to any financial derivative transaction or any hedging agreements, except for interest rate swap instruments, which the Company has entered into to hedge its exposure to interest rate fluctuations on a portion of its variable rate debt.

CAPITAL INVESTMENTS

The Company has been conservative in regard to its capital spending over the last several years in light of the downturn in the industry and economic conditions. Capital expenditures totaled $3.6 million and $3.0 million in 2008 and 2007, respectively, compared to our 2008 depreciation expense of $4.8 million. Our practice has generally been to re-invest capital at a level that approximates the depreciation expense within the operating statements. Capital expenditures for the last five years (including the 2004 and 2005 plant acquisitions and expansions in North Carolina and Pennsylvania) have averaged $4.5 million, which approximates depreciation expense during this period. The expenditures over the last two years, while reduced, were adequate and allowed us to provide funding for the following major items: continual upgrades and replacements of equipment at the Foundry (specifically in 2008, over $550 thousand was spent on a complete replacement of the Disamatic molding line's computer control system to take the electronics to the current state of the art); almost $1.5 million for equipment and building modifications related to production optimization; nearly $700 thousand for machinery, tooling, and pattern costs related to our new or redesigned products; and over $250 thousand for quality related equipment to ensure the standards of our products. Capital expenditures for 2009 are budgeted at approximately $3.5 million. This spending includes approximately $1 million for new machinery to enhance production effectiveness and quality assurance and approximately $800 thousand for continued tooling and pattern costs based on planned new products.

BOARD ACTIONS

On January 29, 2009, the Company announced a quarterly dividend of $0.17 per share, the 69th consecutive year of paying a dividend. The annual dividend rate for Preferred stock is $3.00 per share.

At the January 2009 meeting, the Board of Directors authorized the repurchase of 60,000 shares of common stock of either class at market prices during 2009. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. The Company did not repurchase any shares in either 2008 or 2007.

WITH BURNHAM QUALITY AND RELIABILITY BUILT IN...

At Burnham, the entire manufacturing process is designed and geared toward Burnham's high quality standards. New highly automated equipment furthers those capabilities by providing unwavering consistency and accuracy to provide customers with durable and reliable products.

PERSONNEL

Several important executive changes were made for 2009. Stephan P. Amicone has been appointed Executive Vice President and Chief Operating Officer of Burnham Holdings, Inc. Steve began his career with our New Yorker subsidiary and has over 30 years of experience with the Company. Christopher R. Drew has been appointed a Vice President, with over 13 years of experience with the Company. Douglas S. Brossman was hired to fill the position of Vice President and General Counsel. And finally, Kenneth H. Sturtz, Senior Vice President, retired effective December 31, 2008, after 19 years of service in a variety of positions. We wish to thank him for his many valuable contributions to the Company and wish him well in his retirement.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Other reports, letters, and press releases distributed by the Company may also contain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates, and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, variations in weather; changes in the regulatory environment, litigation, customer preferences, general economic conditions, technology, and product performance; and increased competition.

Certain estimates are determined using historical information along with assumptions about future events. Changes in assumptions for such items as warranties, medical cost trends, employment demographics and legal actions, as well as changes in actual experience, could cause these estimates to change. Specific estimates are explained below in order to provide the basis for each estimate.

Medical Health Coverage: The Company is self-insured for most of the medical health insurance that it provides for its employees, and limits its maximum exposure to $150,000 per occurrence by purchasing third-party stop loss coverage. The Company retains various third-party providers to support the effort required in the administration of its health coverage. The costs of these various plans and administrative charges are expensed monthly.

Retiree Health Benefits: For a number of years prior to 2006, the Company provided certain medical benefits to a closed group of Medicare-eligible retirees. Starting in 2006, the Company will pay a fixed annual amount that will assist this group in purchasing medical and/or prescription drug coverage from providers. Coverage will be provided through insured plans, thus capping the Company's cost in future years. These obligations are accounted for within the financial statements.

Insurance: The Company maintains insurance to cover product liability, general liability, workers' compensation, and property damage. Well-known and reputable insurance carriers provide current coverage under the Company's various programs. For these policies, which cover periods ending mid-2009, the Company's retained liability is for the first $100,000 per occurrence of product liability claims, a total exposure of $750,000 per occurrence of workers' compensation, and for the first $50,000 per occurrence of property claims. All policies and corresponding deductible levels are reviewed on an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle claims and attempt to resolve them to the benefit of both the Company and its insurance carriers. The Company reviews claims periodically in conjunction with the administrators and adjusts recorded reserves as required. At this time, reserves for product, general, workers' compensation, and property liabilities are reasonable based on the information currently available.

Permitting Activities (excluding environmental): The Company's subsidiaries are engaged in various matters with respect to obtaining, amending or renewing permits required under various laws and associated regulations in order to operate each of its manufacturing facilities. Based on the information presently available, management believes it has all necessary permits and expects that all permit applications currently pending will be routinely handled and approved.

Litigation, including Asbestos: In the normal course of business, certain subsidiaries of the Company have been named, and may in the future be named, as defendants in various legal actions including claims related to property damage and/or personal injury allegedly arising from products of the Company's subsidiaries. A number of these claims allege personal injury arising from exposure to asbestos-containing material allegedly contained in certain boilers manufactured many years ago, or through the installation of heating systems. The Company's subsidiaries, directly or through insurance providers, are vigorously defending all open asbestos cases, many of which involve multiple claimants and many defendants, which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. The Company believes, based upon its understanding of the insurance policies available and discussions with legal counsel, that all pending legal actions and claims, including asbestos, should ultimately be resolved within existing insurance limits and reserves or for amounts not material to the Company's financial position or results of operations. However, the resolution of litigation generally entails significant uncertainties, and no assurance can be given as to the ultimate outcome of litigation or its impact on the Company and its subsidiaries. Furthermore, the Company cannot predict the extent to which new claims will be filed in the future, although the Company currently believes that any liability in connection with future asbestos claims will be covered by existing insurance, or will not be material to the Company's financial position or results of operations. There can be no assurance that insurers will be financially able to satisfy all pending and future claims in accordance with the applicable insurance policies, or that any disputes regarding policy provisions will be resolved in favor of the Company. The costs for legal counsel, consultants, etc., in defending these various actions and claims have historically not been material and are expensed as incurred.

Environmental Matters: The Company's subsidiaries are subject to a variety of federal, state, and local environmental laws. Among other things, these laws require the Company's subsidiaries to obtain and comply with the terms of a number of different environmental permits, including permits governing air emissions, wastewater discharges, and waste disposal. The Company's subsidiaries periodically need and apply for new permits or renew or amend existing permits in connection with ongoing or expanded operations. In addition, the Company generally tracks and tries to anticipate any changes in environmental laws that might relate to its ongoing operations. The Company believes its subsidiaries are in material compliance with all environmental laws and permits.

As with all manufacturing operations in the United States, the Company or its subsidiaries can potentially be responsible for cleanup of disposal areas containing materials from its operations. In the past five years, the Company has received only one notice that it or its subsidiaries might be responsible for remedial cleanup actions under government supervision. This notice, received in December 2007, pertained to an on-site sanitary sewage system at our Wendland Manufacturing facility in San Angelo, Texas. In 2008 the Wendland facility was connected to the local public sewage system with final clearance from the local regulatory agency pending. While it is not possible to be certain whether or how any new or old matters will proceed, the Company does not presently have reason to anticipate incurring material costs in connection with any matters, and no reserves have been established.

MANAGEMENT'S REPORT

Management is responsible for the preparation as well as the integrity and objectivity of the Burnham Holdings, Inc., financial statements. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts which represent the best estimates and judgments of management.

Burnham Holdings, Inc., maintains an accounting system and related system of internal controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial records are reliable for preparing financial statements and maintaining accountability for assets. Reasonable assurance recognizes that the cost of a system of internal controls should not exceed its benefits and that the evaluation of these factors requires estimates and judgments by management. The internal control system includes the selection and training of management and supervisory personnel; an organizational structure providing for delegation of authority and establishment of responsibilities; communication of requirements for compliance with approved accounting control and business practices throughout the organization; business planning and review; and a program of internal audit.

Beard Miller Company LLP, independent auditors, are engaged to audit and report on these financial statements. Their audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those Standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The Audit Committee of the Board of Directors meets regularly with management, the independent auditors and the internal audit manager to review matters relating to financial reporting, internal controls and auditing. Management, the internal audit manager and the independent auditors each have direct and confidential access to this committee.

Albert Morrison, III
Chairman, President and CEO

Douglas B. Springer
Vice President and CFO

REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying consolidated balance sheets of Burnham Holdings, Inc. (the "Company") and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income (loss), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial position of Burnham Holdings, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Beard Miller Company LLP

Beard Miller Company LLP
Lancaster, Pennsylvania
March 3, 2009

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31 (In thousands, except per share data) 2008	2007
Net sales	**$225,805**	$224,677
Cost of goods sold	**175,961**	172,070
Gross profit	**49,844**	52,607
Selling, administrative and general expenses	**38,436**	41,121
Operating income	**11,408**	11,486
Other income (expense):		
Mark-to-market	**(427)**	(549)
Interest and investment (loss) income	**(126)**	228
Interest expense	**(1,787)**	(2,536)
Other income (expense)	**(2,340)**	(2,857)
Income before income taxes	**9,068**	8,629
Income tax expense	**3,264**	3,106
NET INCOME	**$ 5,804**	$ 5,523
BASIC EARNINGS PER SHARE	**$ 1.30**	$ 1.24
DILUTED EARNINGS PER SHARE	**$ 1.30**	$ 1.24

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

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31 (In thousands) 2008	2007
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,608**	$ 2,741
Marketable securities	**—**	755
Trade accounts receivable, less allowances (2008 – $305 and 2007 – $235)	**30,165**	26,743
Inventories:		
Materials, in process and supplies	**35,318**	33,771
Finished goods	**10,377**	11,263
Total inventory	**45,695**	45,034
Prepaid expenses and other current assets	**1,124**	1,348
Current portion of deferred income taxes	**1,895**	2,355
TOTAL CURRENT ASSETS	**82,487**	78,976
PROPERTY, PLANT AND EQUIPMENT, net	**48,202**	49,499
DEFERRED INCOME TAXES	**2,776**	—
OTHER ASSETS, net	**21,815**	32,785
TOTAL ASSETS	**$155,280**	$161,260

LIABILITIES AND STOCKHOLDERS' EQUITY

	2008	2007
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 27,128**	$ 25,904
Income taxes payable	**3,032**	3,411
Current portion of other postretirement liabilities	**242**	251
Current portion of long-term debt	**156**	151
TOTAL CURRENT LIABILITIES	**30,558**	29,717
LONG-TERM DEBT	**29,304**	28,266
OTHER POSTRETIREMENT LIABILITIES	**23,649**	3,247
DEFERRED INCOME TAXES	**—**	9,417
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY		
Preferred Stock	**530**	530
Class A Common Stock	**3,258**	3,232
Class B Convertible Common Stock	**1,652**	1,678
Additional paid-in capital	**14,308**	14,308
Retained earnings	**88,820**	86,062
Accumulated other comprehensive income (loss)	**(18,847)**	2,755
Treasury stock, at cost	**(17,952)**	(17,952)
TOTAL STOCKHOLDERS' EQUITY	**71,769**	90,613
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$155,280**	$161,260

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2008 and 2007
(In thousands, except per share data)

	Preferred Stock	Class A Common Stock	Class B Convertible Common Stock	Additional Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Stockholders' Equity
Balance at January 1, 2007	**$530**	**$3,209**	**$1,701**	**$14,308**	**$83,832**		**$ (4,437)**	**$(17,952)**	**$81,191**
Conversion of common stock	–	23	(23)	–	–		–	–	–
Cash dividends declared:									
Preferred stock – 6%	–	–	–	–	(18)		–	–	(18)
Common stock – ($0.68 per share)	–	–	–	–	(3,028)		–	–	(3,028)
Transition adjustment for change in pension measurement date to fiscal year-end	–	–	–	–	(247)		–	–	(247)
Components of comprehensive income (loss):									
Net income for the year	–	–	–	–	5,523	$ 5,523	–	–	–
Change in fair value of derivative, net of $52 of tax	–	–	–	–	–	(130)	(130)	–	–
Pension liability adjustment, net of $4,120 of tax	–	–	–	–	–	7,379	7,379	–	–
Post-Retirement medical liability adjustment, net of $32 of tax	–	–	–	–	–	(57)	(57)	–	–
Total comprehensive income (loss)						$12,715			12,715
Balance at December 31, 2007	**$530**	**$3,232**	**$1,678**	**$14,308**	**$86,062**		**$ 2,755**	**$(17,952)**	**$90,613**
Conversion of common stock	–	26	(26)	–	–		–	–	–
Cash dividends declared:									
Preferred stock – 6%	–	–	–	–	(18)		–	–	(18)
Common stock – ($0.68 per share)	–	–	–	–	(3,028)		–	–	(3,028)
Components of comprehensive income (loss):									
Net income for the year	–	–	–	–	5,804	$ 5,804	–	–	–
Change in fair value of derivative, net of $284 of tax	–	–	–	–	–	(483)	(483)	–	–
Pension liability adjustment, net of $11,826 of tax	–	–	–	–	–	(21,025)	(21,025)	–	–
Post-Retirement medical liability adjustment, net of $52 of tax	–	–	–	–	–	(94)	(94)	–	–
Total comprehensive income (loss)						$(15,798)			(15,798)
Balance at December 31, 2008	**$530**	**$3,258**	**$1,652**	**$14,308**	**$88,820**		**$(18,847)**	**$(17,952)**	**$71,769**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
(In thousands)

	2008	2007
OPERATING ACTIVITIES		
Net income	**$5,804**	$ 5,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,041**	5,311
Deferred income taxes	**429**	(690)
Pension expense	**1,009**	2,285
Postretirement liabilities	**(20)**	(100)
Bad debt expense and other allowances	**(137)**	285
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	**(3,492)**	3
Increase in inventories	**(661)**	(1,991)
Decrease (increase) in prepaid expenses and other current assets	**224**	(132)
Contribution to pension trust	**(2,800)**	—
Increase (decrease) in accounts payable and accrued expenses	**663**	(1,249)
(Decrease) increase in income taxes payable	**(379)**	393
NET CASH PROVIDED BY OPERATING ACTIVITIES	**5,681**	9,638
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,552)**	(3,047)
Sale (purchase) of marketable securities	**755**	(505)
Purchase of other assets	**(13)**	(322)
NET CASH USED IN INVESTING ACTIVITIES	**(2,810)**	(3,874)
FINANCING ACTIVITIES		
Proceeds from borrowings	**1,193**	22,343
Principal payments on long-term debt and capital lease obligations	**(151)**	(25,288)
Dividends paid	**(3,046)**	(3,046)
NET CASH USED IN FINANCING ACTIVITIES	**(2,004)**	(5,991)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**867**	(227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,741**	2,968
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$3,608**	$ 2,741

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

dollars in thousands except per share data

1. NATURE OF OPERATIONS

Burnham Holdings, Inc. ("the Company"), is the parent company of the Burnham group of companies that together form a leading manufacturer of boilers, furnaces, radiators, air conditioning systems and related accessories for residential, commercial and industrial applications. As defined by Financial Accounting Standard No. 131, "Disclosures About Segments of an Enterprise and Related Information," the Company services the Heating, Ventilating, and Air Conditioning ("HVAC") market segment. The majority of the Company's revenue is derived from sales in the United States with a concentration of these domestic sales located in the northeast quadrant of the nation. Sales of residential products amounted to approximately 65% of the total year 2008 revenues. The majority of the sales are to wholesale distributors who, in turn, market to builders, heating contractors, utilities, and fuel dealers for resale to end-use customers. Commercial products are sold primarily through independent sales representatives directly to contractors or end users. The Company also markets many of its products internationally, working in conjunction with selected independent sales representatives worldwide. International sales, which include Canada and Mexico, for the year 2008, amounted to 2.7% of reported net revenues. Sales to the ten largest customers amounted to $69,000 and $56,100 in 2008 and 2007, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Burnham Holdings, Inc., and subsidiaries. All significant intercompany accounts are eliminated in consolidation. The Company does not have any unconsolidated legal entities, "special purpose" entities, or "off-balance-sheet" financial arrangements, nor is it a partner in any joint venture nor does it have a minority interest in any other entity.

Revenue Recognition: The Company recognizes revenue pursuant to applicable accounting standards, including Securities and Exchange Commission (SEC) Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition," SAB 104, summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements and provides guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry.

Net Sales are recognized upon the transfer of title and risk of ownership to customers and is recorded net of discounts, customer-based incentives, and returns. Transfer of title and risk of ownership is based upon shipment under FOB shipping point contract terms. Provisions for sales discounts earned and customer-based incentives are based on contractual obligations with customers. Returns are estimated at the time of sale based on historical experience.

Advertising: Costs are expensed as incurred.

Accounts Receivable: Accounts receivable are recorded at the invoice price, net of allowances for doubtful accounts, discounts and returns, and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in accounts receivable. The Company reviews the allowance for doubtful accounts monthly. Receivable balances are written off against the allowance when management believes it is probable the receivable will not be recovered. The Company does not have any off-balance-sheet credit exposure related to its customers.

Allowance for doubtful accounts	2008	2007
Balance at January 1	$ 235	$ 263
Net (reversals) accruals for accounts	101	(6)
Credit losses	(31)	(22)
Balance at December 31	$ 305	$ 235

Shipping and Handling Costs: The Company charges certain customers shipping and handling fees. These revenues are recorded in Net Sales. The costs associated with receiving material and shipping goods to customers are recorded as cost of goods sold. For the years ended December 31, 2008 and 2007, these gross receiving and shipping costs were $9,501 and $9,904, respectively.

Cash and Cash Equivalents: The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Company's cash balances at times exceeded federally insured limits; however, the Company has not experienced any losses.

A portion of the Company's cash may be restricted from time to time because of insurance regulatory requirements. For the years ended December 31, 2008 and 2007, this was not a material amount.

The Company utilizes various zero-balancing bank accounts with certain financial institutions to manage its cash disbursements. From time to time, checks disbursed from these accounts result in a negative cash balance or book overdraft positions until funds are transferred into the accounts as checks are subsequently presented for payment. The Company includes these negative balances as a component of accounts payable. Book overdrafts of $817 were included in accounts payable as of December 31, 2008. As of December 31, 2007, there were no book overdrafts.

Marketable Securities: At December 31, 2008, the Company did not have any marketable securities. At December 31, 2007, the Company had $755 invested in commercial paper maturing at different times in 2008.

Fair Value of Financial Instruments: In September 2006, FASB issued Statement of Financial Accounting Standard No. 157, Fair Value Measurements ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. FAS 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delayed the effective date of FAS 157 for one year to January 1, 2009, for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Burnham adopted FAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring non-financial assets and non-financial liabilities. Non-recurring non-financial assets and non-financial liabilities for which we have not applied the provisions of FAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, and those non-recurring non-financial assets and non-financial liabilities initially measured at fair value in a business combination.

Valuation Hierarchy. SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Burnham Holdings, Inc. 2008 Annual Report

The following table provides the assets and liabilities carried at fair value as measured on a recurring basis as of December 31, 2008:

(in thousands of dollars)	Total Carrying Value at December 31, 2008	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swaps payable	$2,128	—	$2,128	—

Valuation Techniques. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159), which is effective for fiscal years beginning after November 15, 2007. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. We have adopted SFAS 159 and have elected not to measure any additional financial instruments and other items at fair value.

The estimated fair values of marketable securities, accounts receivable, and accounts payable approximates their carrying values at December 31, 2008 and 2007, because of the short-term maturity of these investments. The fair value of debt approximates its carrying value based on the variable nature of interest rates and current market rates available to the Company. The Company, from time to time, uses interest rate swaps to hedge its exposure to the impact of market interest rate fluctuations on its variable rate debt. The Company follows the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" for all interest rate swap transactions as detailed in Note 5.

Inventories: Inventories are valued at the lower of cost or market and 76% of the Company's inventories are valued using the last-in, first-out method. If the Company had used the first-in, first-out method of inventory accounting, inventories would have been $18,570 and $14,686 higher than reported at December 31, 2008 and 2007, respectively.

The Company periodically reviews its inventories and makes provisions as necessary for estimated obsolescence. The amount of such markdown is equal to the difference between cost of inventory and the estimated market value based upon assumptions about future demands, selling prices and market conditions.

During 2008 and 2007, inventory quantities were reduced either in total or at specific facilities. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with cost of 2008 and 2007 purchases, the effect of which decreased cost of goods sold by approximately $201 and $118 at December 31, 2008 and 2007, respectively. These changes increased profits in 2008 by approximately $129 or $0.03 per share and in 2007 by approximately $75 or $0.02 per share.

Impairment of Long-Lived Assets: The Company continually evaluates whether events and circumstances have occurred that indicate that the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. When factors indicate that an asset should be evaluated for possible impairment, the Company reviews long-lived assets to assess recoverability from future operations. Impairments are recognized in earnings to the extent that the carrying value exceeds fair value. There was no such impairment as of December 31, 2008 or 2007, respectively.

Depreciation: Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of plant and equipment is computed principally using the straight-line method (certain machinery and equipment are being depreciated using the units of production method) at rates adequate to depreciate the cost of applicable assets over their expected useful lives. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon is removed from the accounts, with any gain or loss realized upon sale or disposal charged or credited to operations. Depreciation expense for 2008 and 2007 was $4,849 and $4,976, respectively.

Other Assets: Other assets primarily include goodwill and other intangibles. Goodwill of $15,783 and other indefinite-lived intangible assets of $3,640 are reviewed annually for impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets". The Company has determined that no impairment exists as of and for the years ended December 31, 2008 and 2007. Other intangible assets (primarily customer lists, non-compete agreements, and patents and trademarks) within this line item amount to $418 and $597 in 2008 and 2007, respectively, net of accumulated amortization of $3,244 and $3,052 in 2008 and 2007, respectively, and are being amortized over 3 to 20 years using the straight-line method. Amortization expense was $192 and $335 for the years ending 2008 and 2007, respectively. Future amortization expense is expected to be: $127 – 2009, $78 – 2010, $56 – 2011, $40 – 2012, $24 – 2013, and $97 – 2014 and thereafter.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between (1) the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (2) operating losses and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are reduced by a valuation allowance if, in the judgment of the Company's management, it is more likely than not that such assets will not be realized.

Company Loans: Loans from the Company to any employee or director are prohibited as a matter of policy and by the Company's charter, unless approved by shareholders who are not directors. There are no loans outstanding as of December 31, 2008 and 2007.

Use of Estimates: The preparation of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Consolidated Earnings Per Share ("EPS"): For the years ended December 31, 2008 and 2007, basic and diluted earnings per share are computed as follows:

For the Year Ended 2008	Net Income	Weighted Average Shares*
Income	$ 5,804	
Less preferred stock dividends	(18)	
Income available to common stockholders	$ 5,786	4,452
Basic and Diluted Earnings Per Share	$ 1.30	

For the Year Ended 2007	Net Income	Weighted Average Shares*
Income	$ 5,523	
Less preferred stock dividends	(18)	
Income available to common stockholders	$ 5,505	4,452
Basic and Diluted Earnings Per Share	$ 1.24	

*Shares stated in thousands

In accordance with SFAS No. 128, "Earnings Per Share" ("SFAS 128"), basic earnings per share is computed by dividing net income available to common stockholders for the period by the weighted average number of shares of Class A and Class B common stock outstanding during the year. In accordance with Emerging Issues Task Force 03-06: "Participating Securities and the Two Class Method Under SFAS 128" (EITF 03-06), Class B common stock has been included in the basic and diluted earnings per share as if the shares were converted into Class A common stock on a 1-for-1 basis. On a diluted basis, shares outstanding are adjusted to assume the conversion of outstanding rights into common stock. For 2008 and 2007, there were no adjustments required to diluted earnings per share for rights outstanding under the Company's Incentive and Non-Qualified Stock Option and Stock Appreciation Rights Plans (see Note 8).

During 2008 and 2007 there were no dilutive securities as the exercise price of all outstanding options were greater than the market value of the Company's common stock.

Accounting Developments: In June 2006, the FASB issued FASB Interpretation 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109, Accounting for Income Taxes," which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation requires that the Company recognize, in the financial statements, the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 were effective beginning January 1, 2007, for the Company, and the impact of adopting FIN 48 is recorded in the consolidated financial statements as of December 31, 2007; see Note 6 for additional disclosure.

Reclassification: Certain balances in 2007 have been reclassified to conform to the current year presentation. These reclassifications have no impact on 2007 net income.

3. CERTAIN SIGNIFICANT ACCRUALS AND RESERVES

The Company expenses in the year incurred costs related to normal operating charges. Certain accruals and reserves are determined using historical information along with assumptions about future events. Changes in assumptions for such things as warranties, medical cost trends, employment demographics and legal actions, as well as changes in actual experience, could cause these estimates to change. Certain significant accruals and reserves are described below:

Workers' Compensation: The Company uses a combination of self-insurance and externally purchased insurance policies to provide coverage for its employees. In those states where the Company is self-insured, a state-approved third party is retained to oversee the administration of the plan. The Company maintains excess liability insurance to limit its total exposure to $750 per occurrence. The liability recorded on the financial statements represents an estimate of the ultimate cost of claims incurred as of the reporting date, after giving effect to anticipated insurance recoveries. The Company reviews these liabilities periodically in conjunction with the plan administrators, and adjusts recorded reserves as required. At this time, reserves for self-insured claims are based on the information currently available.

Warranty: The Company's subsidiaries manufacture high-value, high-quality products known for their reliability and longevity. However, some of the subsidiaries of the Company offer a variety of warranty coverages depending on the type of unit and its application. General warranty reserves are maintained by each legal entity based on that entity's warranty policy and historical experience. The Company and its subsidiaries are not insured for warranty claims.

	2008	2007
Balance at January 1	$ 3,089	$ 3,394
Accruals related to warranties	273	889
Settlements made (in cash or in kind)	(1,244)	(1,194)
Balance at December 31	$ 2,118	$ 3,089

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation, as follows:

Year Ended December 31	2008	2007
Land and land improvements	$ 4,563	$ 4,465
Buildings and improvements	33,321	32,757
Machinery and equipment	88,425	87,755
Total property, plant and equipment	126,309	124,977
Accumulated depreciation	(78,107)	(75,478)
Net property, plant and equipment	$ 48,202	$ 49,499

At December 31, 2008 and 2007, leased mobile equipment under capital leases included in net property, plant and equipment totaled $73 and $113, respectively.

Future minimum payments, by year and in the aggregate, under non-cancelable operating leases as of December 31, 2008, are: $2,036 – 2009; $1,460 – 2010; $1,400 – 2011; $1,421 – 2012; $1,159 – 2013; and $8,863 – 2014 and thereafter.

At December 31, 2008 and 2007, rental expense for property (principally warehouse space) included in operating expenses totaled $2,258 and $2,168, respectively. The Company has entered into a long-term lease with a former owner (and current employee) of Crown Boiler Co., a business acquired in 2003 for the production property located in Philadelphia, Pennsylvania. This $355 is included in operating expenses for 2008.

5. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

Year Ended December 31	2008	2007
North Carolina Industrial Revenue Bond due November 9, 2019	$ 4,000	$ 4,000
Pennsylvania Industrial Revenue Bond due December 30, 2016	1,000	1,000
North Carolina Industrial Revenue Bond due November 9, 2016	264	264
Pennsylvania Machinery and Equipment Loan due through August 1, 2013	203	244
Pennsylvania Machinery and Equipment Loan due through December 1, 2012	292	361
Revolving line of credit due on May 1, 2010	21,500	21,500
Fair value of swaps	2,128	935
Capital lease obligations and other	73	113
Total long-term debt	29,460	28,417
Less current portion	156	151
Long-term debt	$ 29,304	$ 28,266

Long-term borrowings: On March 1, 2007, all of the Company's debt, short-term lines of credit and long-term facilities (other than Industrial Revenue Bonds and State-assisted loans), were refinanced through a consortium of four banks under a loan agreement (the "Revolver") totaling $72 million and a new letter of credit agreement (the "LOC") totaling $3 million (increased to $3.5 million in June 2008). The Revolver and LOC are collateralized by operating assets and certain other specific assets of the Company. The Revolver and LOC, which were obtained from local lending institutions, have various financial covenants but no scheduled principal payments prior to maturity. Among other things, the covenants require that Stockholders' Equity on December 31, 2008, be at least $93,200 using the first-in, first-out ("FIFO") method of inventory valuation and excluding non-cash adjustments to Other Comprehensive Income (Loss). Stockholders' Equity on December 31, 2008, was $109,186 on this basis ($71,769 reported in the financial statements). The Revolver and LOC also require that the Company maintain certain ratios including a debt service ratio and a leverage ratio as defined in the agreements. As of December 31, 2008 and 2007, the Company was in compliance with all covenants. Under these agreements, the Revolver and the LOC were due in full on May 1, 2009, except that yearly extensions of this date are to be considered on the anniversary date of the agreements. In June of 2008, both of these agreements were extended until May 1, 2010 and further amended in October of 2008 to add a new lending institution. Interest rates as of December 31, 2008 and 2007 were 2.29% and 6.30%, respectively. The rates were equal to LIBOR plus a margin rate as determined by the ratio of the Company's funded debt to the Company's earnings before taxes, interest, depreciation and amortization, and the cash flow impacts of pension and LIFO, less the payment of dividends. Interest on these agreements is due monthly.

On July 31, 2006, the Company signed a $300 Machinery and Equipment Loan with the State of Pennsylvania to assist in financing equipment purchases in Lancaster, Pennsylvania. The loan has scheduled monthly payments of principal and interest and has a seven-year maturity. The rate on the loan is fixed at 2.75%. The loan is collateralized by a lien on certain identified pieces of machinery and equipment.

On November 15, 2005, the Company signed a $500 Machinery and Equipment Loan with the State of Pennsylvania to assist in financing its expansion in Lancaster, Pennsylvania. The loan has scheduled monthly payments of principal and interest and has a seven-year maturity. The rate on the loan is fixed at 2.75%. The loan is collateralized by a lien on certain identified pieces of machinery and equipment.

On November 9, 2004, the Company negotiated two Industrial Revenue Bonds, a $4 million fixed rate bond and a $264 thousand variable rate bond, with a lending institution to finance the acquisition and subsequent renovations and equipment purchases at the Norwood, North Carolina, plant location. The fixed rate bond has a 15-year maturity with the principal due at maturity in 2019. The interest rate on this tax-exempt bond is fixed at 4.80% and is payable quarterly. The variable rate bond has a 12-year maturity with the principal due at maturity in 2016. The rate on the tax-exempt bond is a floating interest rate equal to LIBOR plus a margin based on a LIBOR rate schedule (2.72% and 5.39% at year-end December 31, 2008 and 2007, respectively) and is payable quarterly. The bonds are collateralized by a lien on the building and equipment purchased and cross-collateralized with the Pennsylvania Industrial Revenue Bond.

On December 31, 2001, the Company negotiated a $1,000 Industrial Revenue Bond with a lending institution to finance construction at the Lancaster, Pennsylvania, site. The bond has a 15-year maturity with the principal due at maturity in 2016. The rate on the tax-exempt bond is fixed at 6.05% and is payable quarterly. The bond is collateralized by a lien on the building constructed and cross-collateralized with the North Carolina Industrial Revenue Bonds.

Maturities of long-term debt are: $156 – 2009; $21,647 – 2010; $631 – 2011; $117 – 2012; $1,180 – 2013; and $5,729 – 2014 and thereafter.

Total interest incurred in 2008 and 2007 was $1,787 and $2,536, respectively. Interest paid during 2008 and 2007 was $1,858 and $2,501, respectively.

Interest Rate Swap Agreements: The Company uses interest rate swap agreements to exchange the interest rate stream on certain variable rate debt for payments indexed to a fixed interest rate.

On July 27, 2007, with an effective beginning date of January 7, 2008, the Company entered into an interest rate swap agreement to hedge its exposure to interest rate fluctuations on $15 million of its outstanding long-term debt. The notional amount of this swap ($2,520 and $190 at December 31, 2008 and 2007, respectively) is equal to $15 million less the notional amount of the two original swap agreements mentioned below. Under this agreement, the Company will pay the counterparty interest at a fixed rate of 5.46% on the notional amount of the swap. The counterparty will pay the Company interest at a variable rate equal to the 30-day LIBOR rate. Under the terms of this agreement, the notional amount of the swap increases equal to the decreases in the original swaps. The Company's obligation under the swap has been collateralized as a part of the Revolver discussed above under Long-term borrowings. The Company accounts for the swap as a cash flow hedge. Accordingly, the change in the fair value of the swap has been included in other comprehensive income, a separate component of stockholders' equity. The fair value of the swap liability reflected in the Company's balance sheet at December 31, 2008 and 2007 was $1,153 and $386, respectively. Additional expense incurred related to the swap agreement in 2008 was $37. The additional expense recognized within other comprehensive income related to the change in the fair value of the swap agreement in 2008 and 2007 was $483 and $130, respectively, net of taxes.

On March 5, 2004, the Company entered into an interest rate swap agreement to hedge its exposure to interest rate fluctuations on a $6,400 term line of credit. Under this agreement, the Company will pay the counterparty interest at a fixed rate of 5.88% on the notional amount of the swap. The counterparty will pay the Company interest at a variable rate equal to the 90-day LIBOR rate (2.20% and 5.14% at December 31, 2008 and 2007, respectively). On March 28, 2002, the Company entered into an interest rate swap agreement to hedge its exposure to interest rate fluctuations on a $21,500 term line of credit. Under this agreement, the Company will pay the counterparty interest at a fixed rate of 5.20% on the notional amount of the swap. The counterparty will pay the Company interest at a variable rate equal to the 90-day LIBOR rate (3.76% and 5.20% at December 31, 2008 and 2007, respectively). Under the terms of these agreements, the notional amount of the swaps decreases quarterly ($12,480 and $14,810 at December 31, 2008 and 2007, respectively). The Company's obligation under the swaps has been collateralized as part of the Revolver discussed above under Long-term borrowings. The fair value of the swap liabilities at December 31, 2008 and 2007 were $975 and $547, respectively. The 2008 and 2007 fair value is reflected in the Company's balance sheet as a liability. The 2008 and 2007 statements of operations reflect the change in fair value as mark-to-market interest expense. Interest income and expense related to the swaps is accrued as interest rates fluctuate, and is recognized in the statement of operations as the interest rate changes occur. Additional expense incurred related to the swap agreements in 2008 and 2007 was $264 and $1, respectively. Additional expense recognized related to the change in fair value of the swap arrangement in 2008 and 2007 was $427 and $549, respectively.

dollars in thousands except per share data

6. INCOME TAXES

The provision for income taxes consists of:

Year Ended December 31	2008	2007
Current:		
Federal	$ 2,260	$ 3,286
State	575	510
Total current	2,835	3,796
Deferred:		
Federal	533	(597)
State	(104)	(93)
Total deferred	429	(690)
Total income tax expense	$ 3,264	$ 3,106
Income taxes paid	$ 2,734	$ 2,828

The Company's effective income tax rates for 2008 and 2007 are higher than the federal statutory rate because of state income taxes, offset partially by research and development credits, domestic manufacturing deductions, and contribution deductions.

The net deferred tax asset (liability) is composed of the following:

Year Ended December 31	2008	2007
Current deferred taxes:		
Gross assets	$ 3,369	$ 2,355
Gross liabilities	(1,474)	—
Net current deferred tax assets	1,895	2,355
Non-current deferred taxes:		
Gross assets	10,524	441
Gross liabilities	(7,748)	(9,858)
Net non-current deferred tax asset (liability)	2,776	(9,417)
Net deferred tax asset (liability)	$ 4,671	$(7,062)

The tax effect of significant temporary differences representing deferred tax assets and liabilities are as follows:

Year Ended December 31	2008	2007
Depreciation	$ (6,614)	$(6,965)
Vacation	943	921
Employee benefits	1,682	1,702
Workers' compensation	501	328
Pension	7,304	(3,863)
Inventory	(992)	(725)
Warranty	868	1,179
Fair value of swap	774	75
Other	205	286
Net deferred tax asset (liability)	$ 4,671	$(7,062)

The Company adopted the provision of FASB Statement No. 48, "Accounting for Uncertainty in Income Taxes", an interpretation of FASB Statement No. 109 on January 1, 2007. As a result of the implementation of this provision, we recognized no material adjustment in the liability for unrecognized income tax benefits.

A reconcilement of the beginning and ending amount of unrecognized tax benefits is as follows:

Unrecognized tax benefits	2008	2007
Balance at January 1	$ 190	$ 239
Gross increases for current year tax positions	612	35
Gross decreases for current year settlements of tax positions	(352)	(84)
Lapse of statute of limitations	—	—
Balance at December 31	$ 450	$ 190

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2008 and 2007, we have approximately $170 and $40 of accrued interest related to uncertain tax positions, respectively.

The total amount of unrecognized tax benefits that would affect our effective tax rate if recognized is $450 and $190 as of December 31, 2008 and 2007, respectively. The tax years 2005 to 2008 remain open to examination by major taxing jurisdictions to which we are subject.

7. STOCKHOLDERS' EQUITY

The Company's Preferred Stock is 6% cumulative, voting, par value $50 a share; is redeemable at $52.50 a share; and is carried at its stated liquidation preference of $50 a share. There are 10,600 shares authorized and issued, including 4,462 shares in Treasury Stock at December 31, 2008 and 2007.

The Company's Class A common stock ("Class A") has a par value of $1.00 per share; there are 9 million shares authorized. The Company's Class B convertible common stock ("Class B") has a par value of $1.00 per share; there are 4 million shares authorized.

Common Stock outstanding was as follows:

Year Ended December 31	2008	2007
Class A stock issued	3,257,660	3,232,639
Treasury shares	(458,102)	(458,102)
Class A stock outstanding	2,799,558	2,774,537
Class B stock outstanding	1,652,331	1,677,352
Total stock outstanding	4,451,889	4,451,889

Class A and Class B have similar rights except for voting rights and transferability. Class A has one vote per share. Class B has eight votes per share. A majority approval by the holders of Class B is required for certain corporate actions.

Class B may be transferred only to Permitted Transferees, as defined in related documents, at the option of the holder of the Class B. Other transfers of Class B result in the automatic conversion of the transferred shares into an equal number of shares of Class A. Class B can be converted at any time into Class A at the option of the holder.

8. STOCK COMPENSATION PLAN

The Company maintains an Incentive and Non-Qualified Stock Option ("Option") Plan and a Stock Appreciation Rights ("Rights") Plan for key employees, including officers and directors. Under the Option plan, qualified or non-qualified options may be granted to purchase common shares at prices generally equal to the fair market value of the shares at the time the options are granted. Under the Rights plan, the holder of the rights, on exercise, receives the excess of the fair market value of the common stock over the exercise price in cash, common stock or a combination thereof at the election of the Board of Directors. Options and rights are exercisable in cumulative annual installments of 33 1/3%, commencing one year after the date of grant, and expire ten years after grant.

Under the plans, the rights and options are issued in tandem, and the exercise of either serves to cancel the other. Prior to January 1, 2006, the Company accounted for these Rights and Options granted under the plans in accordance with the recognition and measurement provisions of FASB Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plan," under which compensation cost was recognized as the excess of fair market value of the outstanding grants at year end over the exercise price. Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), Share-Based Payment, ("SFAS 123R") using the modified-prospective-transition method. Under this transition method, compensation expense recognized during the year ended December 31, 2008 and 2007, included compensation expense for all share-based awards granted prior to, but not yet vested as of these years, based on the estimated fair value of the options at the date of the reporting period in accordance with the provisions of SFAS 123R. These Options and Rights have been accounted for as a liability under the terms of SFAS 123R. The vested portion of the liability will be re-measured at fair value at the end of each reporting period until settlement.

Compensation expense related to the Company's share-based awards recorded for the year ended December 31, 2007 was $136. There was no expense recognized for 2008.

The fair value of each of the Company's stock option awards is re-measured at each reporting period using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The fair value of the Company's Options and Rights, which are subject to graded vesting, is expensed on a straight-line basis over the vesting life of the stock options. Expected volatility is based on an average of (1) historical volatility of the Company's stock and (2) implied volatility from traded options on the Company's stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the stock option award is granted, with a maturity equal to the expected term of the stock option award granted. The Company uses historical data to estimate stock option exercises and forfeitures within its valuation model. The expected life of stock option awards granted is derived from historical exercise experience under the Company's share-based payment plans and represents the period of time that stock option awards granted are expected to be outstanding.

The significant weighted average assumptions were as follows:

Year Ended December 31	2008	2007
Dividend yield	4.5%	4.5%
Volatility rate	19.0%	19.0%
Risk-free interest rate	5.8%	5.3%
Expected option life (years)	10.0	10.0

Transactions for 2008 and 2007 are as follows:

	2008		2007	
Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding January 1	344,388	$21.74	378,157	$22.54
Granted	81,600	13.78	65,400	16.38
Exercised	—	—	—	—
Lapsed	(30,800)	23.28	(99,169)	21.27
Outstanding December 31	395,188	$19.97	344,388	$21.74
Exercisable December 31	253,258	$22.52	223,754	$23.29
Available for grant at December 31	355,831		406,631	

Plan options outstanding at December 31, 2008, have exercise prices between $27.78 and $13.78, with a weighted-average remaining contractual life of 6.42 years.

9. RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT ARRANGEMENTS

Defined Benefit and Other Postretirement Benefit Programs: The Company maintains a non-contributory defined benefit pension plan covering substantially all employees. The pension plan was amended in 2003 to eliminate this benefit for any non-union employee hired after June 5, 2003. The plan was further amended on July 31, 2005, to stop benefit accruals for all non-union employees in seven years (July 31, 2012). Subsequently, on August 31, 2006, the Plan was amended to move the 2012 discontinuance date forward to November 30, 2006, for all non-union personnel, except for a limited group of employees who were 55 years of age and older and had a stated number of years of service. For this limited group of employees, benefit accruals will stop on June 30, 2009. During collective bargaining negotiations in 2005 and 2006 with our two largest union groups, the company and the unions agreed that newly hired union employees would no longer have access to the defined pension plan. The third and final union group agreed in February 2008 to freeze all participation in the Burnham Plan and to move to a union-sponsored plan. The Company does not administer this plan; contributions to the plan were $128 in 2008 as determined in accordance with provisions of the negotiated labor agreement.

Normal retirement age is 65, but provision is made for earlier retirement. Benefits for salaried employees are based on salary and years of service, while hourly employee benefits are based on average monthly compensation and years of service with negotiated minimum benefits. The Company's funding policy is to make minimum annual contributions required by applicable regulations or to voluntarily make contributions based on the market fluctuations, impact on the plan assets and on financial discount rates. Based on the funded position of the plan at November 30, 2007, the Company did not have a minimum contribution required for 2008. However in 2008, the Company made a pre-tax contribution of $2.8 million into the pension plan. There were no contributions made in 2007. Minimum contributions for 2009 are undeterminable at this time, but will be based on actuarial certifications to be received by August 2009 that are governed by the Pension Protection Act of 2006. The Company believes minimum required contributions, if any, will not have a material impact on its liquidity.

dollars in thousands except per share data

The Company also maintains a non-qualified deferred compensation plan available to certain executives. Under this plan, participants may elect to defer up to 16% of their compensation. The Company invests the deferrals in participant-selected marketable securities that are held in a Rabbi Trust. The net unrealized (loss) gain associated with holding these securities, $(201) and $116 in 2008 and 2007, respectively, has been recognized in the Company's earnings as part of interest and investment (loss) income in accordance with Financial Accounting Standards ("FAS") No. 115. The assets of the Company (within Other Assets) and the liability to employees (within Other PostRetirement Liabilities) under the plan were $1,566 and $1,629 at December 31, 2008 and 2007, respectively. Adjustments to this liability caused by changes in the value of the marketable securities, $(201) loss and $116 gain in 2008 and 2007, respectively, are recognized currently in accordance with Issue No. 97-14 of the Emerging Issues Task Force ("EITF") of the FASB, and are classified within selling, administrative, and general expenses.

The Company also contributes to a union-sponsored defined benefit pension plan that covers all Peru, Indiana, bargaining unit employees. The Company does not administer this plan; contributions are determined in accordance with provisions of a negotiated labor agreement. Contributions for 2008 and 2007 were $446 and $458, respectively.

For a number of years prior to 2006, the Company provided certain medical benefits to a closed group of Medicare-eligible retirees. Starting in 2006, the Company will pay a fixed annual amount that will assist this group in purchasing medical and/or prescription drug coverage from providers. Coverage will be provided through insured plans thus capping the Company's cost and exposure in future years.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158). This new statement requires employers to recognize the funded status (i.e., the difference between the fair value of plan assets and benefit obligations) of all defined benefit postretirement plans in the statement of financial position, with corresponding adjustments to accumulated other comprehensive income (loss) ("AOCI"), net of tax, and intangible assets.

For a pension plan, this would be the projected benefit obligation; for any other postretirement plan, the benefit obligation would be the accumulated postretirement benefit obligation. SFAS 158 also eliminates the early measurement dates by requiring the pension plan obligation to be measured as of the date of the entity's balance sheet.

The requirements of SFAS 158 to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end was to be no later than for fiscal years ending after December 15, 2008. The Company's measurement date for its Retirement Plans and other Postretirement Benefits were changed from November 30 to December 31 for the year ended December 31, 2007. The effect of the change in measurement date was $247 and was recorded as an adjustment to retained earnings.

The adjustment to AOCI at adoption represents the net unrecognized actuarial losses/gains and unrecognized prior service costs, both of which were previously netted against the plan's funded status in the statement of financial position pursuant to the provisions of Statement Nos. 87 and 106. These amounts will be subsequently recognized as net periodic postretirement costs in accordance with the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic postretirement costs in the same periods will be recognized as a component of AOCI. These amounts will be subsequently recognized as a component of net periodic postretirement cost on the same basis as the amounts recognized in AOCI at adoption of SFAS No. 158. Additionally, the statement provides guidance regarding the classification of plan assets and liabilities in the statement of financial position.

At December 31, 2007, the pension trust assets were $124,677 and the pension liability was $113,946, with the excess of $10,731 being recorded as an asset on the balance sheet. At December 31 2008 and as a result of the downturn in financial markets, pension trust assets were $94,238 and the pension liability was $114,568, with the shortfall of $20,330 being recorded as a liability on the balance sheet. This $20,330 liability, and the reversal of the positive $10,731 from 2007, results in a negative $21,025 (net of deferred taxes) reduction to Stockholders' Equity. The following table presents the activity related to SFAS 158 on the Company's balance sheet line items. The other postretirement liability for 2008 and AOCI for all periods is a combination of the pension liability, and retiree health benefits and debits and credits are not equal due to deferred taxes:

	2006 After Application of SFAS 158	2007 Net Activity	December 31, 2007	2008 Net Activity	December 31, 2008
Other assets	$1,517	$9,214	$10,731	$(10,731)	—
Other postretirement liability	(1,968)	99	(1,869)	(20,456)	$(22,325)
AOCI, part of Stockholders' Equity	4,312	(7,322)	(3,010)	21,119	18,109

Included in AOCI at December 31, 2008, are the following before-tax amounts that have not yet been recognized in net periodic postretirement benefit costs; unrecognized net actuarial loss of $24,679 and $2,021 for the Pension Plan and Postretirement Benefits Plan, respectively, and unrecognized prior service cost of $1,058 and $537 for the Pension Plan and Postretirement Benefits Plan, respectively.

Included in AOCI at December 31, 2007, are the following before-tax amounts that have not yet been recognized in net periodic postretirement benefit costs; unrecognized net actuarial gain (loss) of $8,510 and $(1,807) for the Pension Plan and Postretirement Benefits Plan, respectively, and unrecognized prior service cost of $1,395 and $605 for the Pension Plan and Postretirement Benefits Plan, respectively.

The following financial disclosures present the aggregate defined benefit plans and other postretirement medical benefits for qualified employees of the plans for the years ending December 31, 2008 and 2007:

	Pension Benefits 2008	Pension Benefits 2007	Other Postretirement Benefits 2008	Other Postretirement Benefits 2007
Projected benefit obligation	$(114,568)	$(113,946)	$(1,995)	$(1,869)
Fair value of plan assets	94,238	124,677	—	—
Funded status	$ (20,330)	$ 10,731	$(1,995)	$(1,869)
Benefit (liability) or prepaid cost recognized in the consolidated balance sheet at December 31	$ (20,330)	$ 10,731	$(1,995)	$(1,869)
Accumulated benefit obligation	$ 113,247	$ 112,683		

The pension is managed by independent third-party administrators, under policies and guidelines established by the Employee Benefits Committee of the Burnham Holdings, Inc., Board of Directors. It is a policy of the Employee Benefits Committee for the pension trust not to invest directly in the Company's stock. While highly unlikely, it is possible that a "mutual fund" investment of the pension trust could invest in the Company's stock in a limited way. To the best of the Company's knowledge, there is no Burnham stock in the pension trust at December 31, 2008 and 2007. The Company's pension plan provides that the Company may not obtain surplus assets of the plan during a three-year period immediately following a change in control of the Company. The approximate pension plan weighted-average asset allocations are to be invested in 60% equity securities, 40% fixed income securities, and no more than 15% in alternative investments. At December 31, 2008, the asset allocation was approximately 51% equity, 39% fixed income, and 10% alternative investments. The asset allocation strategy, as approved by the Employee Benefits Committee, is that the assets of the trust fund are to be allocated based upon an analysis of the funding adequacy, cash flow requirements, maturity level, and participant growth rate of the plan. The investment alternatives available in each of the capital markets are to be analyzed based on the risk tolerance indicated by the plan's unique characteristics.

The Company made normal compensation and negotiated rate change amendments to the plan in 2008 and 2007, (decreasing) increasing the pension benefit obligation by $(101) and $79, respectively.

Weighted-average assumptions used to determine benefit obligations as of December 31 were:

	Pension Benefits 2008	Pension Benefits 2007	Other Postretirement Benefits 2008	Other Postretirement Benefits 2007
Discount rates	6.30%	6.00%	6.30%	6.00%

Weighted-average assumptions used to determine net periodic benefit cost as of December 31 were:

	Pension Benefits 2008	Pension Benefits 2007	Other Postretirement Benefits 2008	Other Postretirement Benefits 2007
Discount rates	6.00%	5.90%	6.00%	6.00%
Expected return on assets	8.50%	8.50%	—	—

The rate of compensation increase used to determine the pension benefit obligations and benefit cost was a graded scale from 1.5% to 6.5%, with an approximate average of 3.4% for 2008 and 2007.

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the long-term rate of return on assets assumption of 8.5% for both years.

The health care cost trend assumption does not have a significant effect on the amounts reported because the Company has adopted an aggregate cost cap for its retiree medical benefits.

The following financial disclosures present annual information about the costs of, contributions to and benefit payments by the Company's pension and other postretirement benefits plans.

	Pension Benefits 2008	Pension Benefits 2007	Other Postretirement Benefits 2008	Other Postretirement Benefits 2007
Benefit cost	$ 1,009	$ 2,285	$ 391	$ 335
Employer contributions	2,800	—	411	435
Plan participant contributions	—	—	188	270
Plan amendments	(101)	79	—	—
Benefits paid	5,475	5,786	599	705

The following pension benefit payments, which reflect expected future service and salary, as appropriate, are expected to be paid: $6,352 – 2009; $6,870 – 2010; $7,361 – 2011; $7,743 – 2012; $8,065 – 2013; and $45,303 – 2014 to 2018.

The following other postretirement benefit payments, net of plan participants' contributions, are expected to be paid: $242 – 2009; $238 – 2010; $234 – 2011; $229 – 2012; $220 – 2013; and $937 – 2014 to 2018.

Employee Savings Plans: The Company has established two (2) Employee Savings Plans as an employee benefit to encourage and assist employees to adopt a regular savings program and to help provide additional security for retirement. One plan covers employees of the Company who are not covered by a collective bargaining agreement and are eligible to participate in the plan. The Company's contribution charged against income for this plan was $484 and $482 in 2008 and 2007, respectively.

The Company maintains a second Employee Savings Plan for all other employees. Certain hourly employees covered by collective bargaining agreements and plan defined other production and shipping personnel are eligible to participate in this plan. Effective with the contracts negotiated at the Company's two largest unions in 2005 and 2006, new union employees (who are not eligible for the defined benefit pension plan) are eligible to receive a Company contribution based on their personal savings percentage. For all other employees covered by collective bargaining agreements, the Company does not contribute to the plan. The Company's contribution charged against income for this plan was $21 and $20 in 2008 and 2007, respectively.

The Company also maintains a profit sharing program for eligible employees based on the Company's Return on Equity. For 2008 and 2007, there were no contributions paid.

10. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable at any given time under standby letters of credit pertaining to workers' compensation self-insurance coverage, employee medical insurance, international product purchases, and other business guarantees. In the normal course of business, this amount is less than $3 million, and at December 31, 2008 and 2007, the amounts outstanding were $2,750 and $2,631, respectively.

The Company is a party to legal actions as a result of various claims arising in the normal course of business. The Company believes that the disposition of these matters will not have a materially adverse effect on the financial condition, results of operations, or liquidity of the Company.

TEN YEAR SUMMARY

dollars in thousands except per share data

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net Sales	$191,023	$201,788	$202,267	$199,739	$230,714	$251,747	$238,768	$218,127	$224,677	$225,805
Income (Loss) From Continuing Operations										
Before Income Taxes	16,214	13,134	12,280	16,652	15,872	15,409	5,208	(3,932)	8,629	9,068
Income Taxes from Continuing Operations	6,403	5,030	4,394	6,228	5,826	5,778	1,865	(1,599)	3,106	3,264
Income (Loss) from Continuing Operations	9,811	8,104	7,886	10,424	10,046	9,631	3,343	(2,333)	5,523	5,804
Net Income (Loss)	9,604	7,072	2,324	9,816	10,046	9,631	3,343	(2,333)	5,523	5,804
Basic Earnings (Loss) per Share of Common Stock from:										
Continuing Operations	2.17	1.82	1.79	2.37	2.28	2.17	0.75	(0.53)	1.24	1.30
Net Income (Loss)	2.12	1.59	0.53	2.23	2.28	2.17	0.75	(0.53)	1.24	1.30
Cash Flow per Share of Common Stock from:										
Continuing Operations	3.31	2.92	2.80	3.35	3.44	3.37	1.95	0.66	2.43	2.44
Net Income (Loss)	3.37	2.79	1.63	3.21	3.44	3.37	1.95	0.66	2.43	2.44
Total Dividends Paid	4,087	4,377	4,514	4,546	4,687	4,985	5,185	4,114	3,046	3,046
Dividends per Share of Common Stock	0.90	0.98	1.02	1.03	1.06	1.12	1.16	0.92	0.68	0.68
Net Book Value of Plant and Equipment	53,437	52,806	51,264	50,560	51,389	53,616	53,602	51,427	49,499	48,202
Purchases of Property, Plant and Equipment	3,484	4,525	3,530	3,905	5,010	7,277	5,079	2,823	3,047	3,552
Charges for Depreciation and Amortization	5,890	5,932	5,941	5,074	5,112	5,310	5,357	5,251	5,311	5,041
Current Assets	85,498	87,094	83,953	85,313	84,221	89,291	84,322	77,088	78,976	82,487
Current Liabilities	31,947	41,250	38,975	34,641	37,647	40,215	40,663	40,199	29,717	30,558
Working Capital	53,551	45,844	44,978	50,672	46,574	49,076	43,659	36,889	49,259	51,929
Total Debt	39,277	31,931	34,318	32,656	30,825	37,573	34,902	31,361	28,417	29,460
Net Worth	78,702	80,131	77,435	81,648	87,534	93,199	91,788	81,191	90,613	71,769
Book Value per Share of Common Stock	17.47	18.05	17.55	18.51	19.77	20.90	20.55	18.17	20.28	16.05
ProForma Book Value per Share of Common Stock*	17.47	18.05	17.55	18.51	19.77	20.90	20.61	19.16	19.66	20.28
Outstanding Shares of Common Stock**	4,484	4,422	4,394	4,396	4,412	4,444	4,451	4,452	4,452	4,452

Basic earnings per share is shown after reserving Preferred Stock dividends.

Book value per share is shown after reserving net worth equal to the redemption price of $52.50 per share of Preferred Stock outstanding at each date.

Cash flow per share is based on the net income plus charges for depreciation and amortization less pension income, divided by weighted average shares outstanding.

*Proforma Book Value per Share of Common Stock is based on adjusting Net Worth to exclude the impacts of Accumulated Other Comprehensive Income (Loss).

**Shares stated in thousands.

SUPPLEMENTAL INFORMATION

Company Affiliates & Locations

The consolidated financial statements include the accounts of Burnham Holdings, Inc., and subsidiaries ("the Burnham group"). Burnham Holdings, Inc., does not have any unconsolidated legal entities, "special purpose" entities, or "off-balance-sheet" financial arrangements, nor is it a partner in any joint venture nor does it have a minority interest in any other entity. The Burnham group has approximately 1,000 employees nationwide, of which approximately 50% are union employees covered through four separate bargaining agreements. Generally the agreements are for a three-year period and expire at different times.

Bryan Steam, LLC	Peru, IN
Burnham Casualty Insurance Co.	Burlington, VT
Burnham Commercial	Lancaster, PA
Burnham Financial, LLC	Wilmington, DE
Burnham Foundry, LLC	Zanesville, OH
Burnham Services, Inc.	Wilmington, DE
Crown Boiler Co.	Philadelphia, PA
Governale Company, Inc.	Brooklyn, NY
Lancaster Metal Manufacturing, Inc.	Lancaster, PA
New Yorker Boiler Company, Inc.	Hatfield, PA
Norwood Manufacturing, Inc.	Norwood, NC
Thermal Solutions Products, LLC	Lancaster, PA
Thermo Products, LLC	North Judson, IN, and Denton, NC
U.S. Boiler Company, Inc.	Lancaster, PA
Wendland Manufacturing Corp.	San Angelo, TX

Business Strategy

The Burnham group provides high-value, high-quality products backed by superior service. Its products are manufactured at plants in the East, South, and Midwest. The Burnham group has eight major brand names, marketed through eight independent sales organizations that are differentiated by product line and market served.

The Company's strategy is to focus its time, energy, and financial resources on what it knows best—the HVAC segment of the market. The Company creates sales growth through developing new products, entering new market niches, and increasing customer preferences for its products. Burnham Holdings, Inc., has also grown and will continue to grow through the acquisition of competitors or related businesses. The Company is continually looking for appropriate acquisitions at appropriate prices.

Corporate Governance

The Board of Directors ("the Board") of Burnham Holdings, Inc., is comprised of nine members, eight of whom who are considered "independent" directors (not an employee, not affiliated with the Company's auditors, and not part of an interlocking directorate). The remaining member of the Board is the Company's President and CEO, who was also elected Chairman of the Board in April 2002. Directors are selected based on their individual qualifications and experience, the overall balance of the Board's background and experience, and each individual's willingness to fulfill their obligations and to contribute appropriately. Four directors are members of families, the extended members of which hold in the aggregate significant ownership interests in the Company. Board members have complete access to Company information and personnel through meetings, reports, on-site operational reviews, and direct contact.

The total Board meets six times per year with various Board committee meetings and special meetings held in addition throughout the year. Board committees concentrate on important areas of responsibility. Standing committees of Burnham Holdings, Inc., consist of the Employee Benefits Committee, the Nominating Committee, the Audit Committee, and the Compensation Committee. These committees, which have existed for over 25 years (long before the current emphasis on committees), have defined charters that address the committees' purpose, goals, and responsibilities. All committees meet on a scheduled basis. Please refer to the proxy for more information on corporate governance, executive compensation, and security holders.

INVESTOR AND STOCKHOLDER INFORMATION AND CORPORATE DATA

REPORTING REQUIREMENTS

Burnham Holdings, Inc., is the parent company of the Burnham group of companies that together form a leading manufacturer of boilers, furnaces, radiators, air conditioning systems, and related accessories for residential, commercial, and industrial applications.

The Company is not currently required to register with the SEC (Securities and Exchange Commission) and therefore is not subject to the reporting requirements of a public company. Individuals, trusts, and investment organizations hold shares of the Company. To the best of the Company's knowledge, no one person owns more than 10% of the outstanding shares, irrespective of class or combination of classes (shares held by family relatives have not been combined in computing this percentage). While Burnham Holdings, Inc., has chosen not to voluntarily register and become subject to the costly reporting requirements of the SEC, the Company has always been committed to providing timely, complete and accurate financial information consistent with generally accepted accounting principles, legal, and regulatory requirements. The Company issues periodic News Releases, quarterly unaudited statements, a yearly Annual Report with audited financial statements, and a Proxy Statement.

Interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2008. The results for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in audited financial statements have been omitted. As mentioned previously, the Company is not subject to SEC reporting requirements and therefore its quarterly interim consolidated financial statements are not subject to an interim review by Independent Auditors as prescribed by the SEC.

This Annual Report contains forward-looking statements. Other reports, letters, and press releases distributed by the Company may also contain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates, and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, variations in weather; changes in the regulatory environment, litigation, customer preferences, general economic conditions, technology, and product performance; and increased competition.

INVESTOR AND STOCKHOLDER INFORMATION

Stockholder Inquiries

Questions concerning your account, dividend payments, address changes, consolidation of duplicate accounts, lost certificates and related matters should be addressed to

Burnham Holdings, Inc.'s transfer agent:
Fulton Financial Advisors, N.A.
One Penn Square
Lancaster, PA 17602
(717) 291-2562

Stock Exchange Listing

The Common Stock of Burnham Holdings, Inc., is traded under the symbol "BURCA" on the electronic Pink Sheets and is listed by the Pink Sheets, LLC, reporting service for over-the-counter stocks. Stock quotation information is available through stock reporting services on the Internet. Two services that report on Burnham Holdings, Inc., are www.bloomberg.com and www.pinksheets.com.

Annual Meeting

The Company's Annual Meeting is scheduled for 11:30 am on April 27, 2009, to be held at the Lancaster Host Resort and Conference Center in Lancaster, PA.

Corporate Data

Burnham Holdings, Inc., 1241 Harrisburg Avenue, Post Office Box 3245, Lancaster, PA 17604-3245

For further information, contact Audrey L. Behr, Financial Services Administrator, or Robert G. Berardi, Vice President and Treasurer.

Telephone: (717) 397-4700, Fax: (717) 293-5816

You can access Company information including press releases, earnings announcements, history, and other information through the Internet by visiting the Burnham Holdings, Inc., website at www.burnhamholdings.com.

DIRECTORS AND OFFICERS

Board of Directors

(pictured left to right): Albert Morrison, III; Eleanor B. Drew; George W. Hodges; Robert P. Newcomer; Thomas C. Kile; Elizabeth H. McMullan; William F. Dodge, II; John W. Lyman; Rufus A. Fulton, Jr.

Audit Committee
Eleanor B. Drew
George W. Hodges
Thomas C. Kile
John W. Lyman

Compensation Committee
Rufus A. Fulton, Jr.
John W. Lyman
Elizabeth H. McMullan

Employee Benefits Committee
William F. Dodge, II
Elizabeth H. McMullan
Albert Morrison, III
Robert P. Newcomer

Officers

(pictured left to right): Douglas B. Springer; Kenneth H. Sturtz; Dale R. Bowman; Douglas S. Brossman; Albert Morrison, III; Robert G. Berardi; Stephan P. Amicone; Bradley C. Ehlert

Officers of Burnham Holdings, Inc.

Albert Morrison, III	Chairman, President and Chief Executive Officer
Stephan P. Amicone	Executive Vice President
Kenneth H. Sturtz	Senior Vice President and Corporate Secretary
Robert G. Berardi	Vice President and Treasurer
Douglas B. Springer	Vice President and Chief Financial Officer
Dale R. Bowman	Vice President
Douglas S. Brossman	Vice President and General Counsel
Bradley C. Ehlert	Controller

Burnham Holdings, Inc.
1241 Harrisburg Avenue
Lancaster, PA 17603