BURNHAM
HOLDINGS, INC.

2009
Annual Report

Investing in the future.

COMPANY PROFILE:

Burnham Holdings, Inc., is the parent company of fourteen subsidiaries that together form a leading domestic manufacturer of boilers, and related HVAC products and accessories (including furnaces, radiators, and air conditioning systems) for residential, commercial, and industrial applications. Subsidiaries of Burnham Holdings, Inc. provide high-value, high-quality products backed by superior service. Products are manufactured at plants in the East, South and Midwest. The largest subsidiaries of Burnham Holdings, Inc. market under eight well established brand names that are differentiated by product line and markets served.

The U.S. Boiler, New Yorker, Governale, Thermo Products, 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 Steam, 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. Norwood Manufacturing is a manufacturer of painted light-gauge metal parts.

Company subsidiaries also market many of their 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 Burnham Holdings, Inc. unique in the American boiler industry.

OUR PHILOSOPHY IS TO BE A GROUP OF COMPANIES:

Whose products are efficient, safe, reliable, and the best value in the industry.

Whose customers recommend us to others because we consistently exceed their expectations.

Where the best people want to work.

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 are the Burnham Holdings group of companies.

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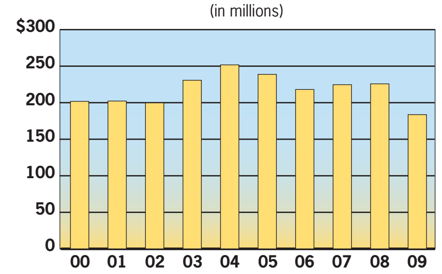
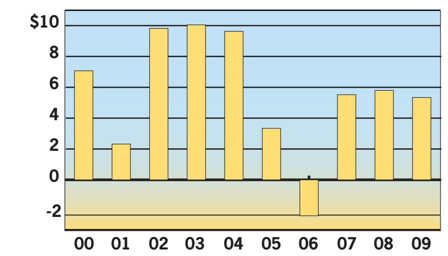
Results for 2009 reflect a year of solid financial performance and accomplishments. With economic indicators pointing to a very difficult business year in 2009, the Company focused on earnings stability and balance sheet strength. With a firm foundation based on its core principles and philosophy, Burnham Holdings, Inc. is financially and operationally strong and poised to take advantage of market opportunities, while advancing its strategic initiatives for the longer term.

- Net sales were $183.7 million, an 18.6% decline from 2008. This decrease was a result of the sharp decline in industry demand caused by the recession. The Company's strategies of product diversification, independent markets served, and continuous new product introductions have produced a less dramatic decline in our sales trend for the last five years compared to the overall boiler industry.
- The net income for 2009 was $5.3 million or $1.20 per share, almost equal to last year despite the reduction in sales. Please see the "Review of Operations" for discussion of financial performance.
- Gross profit as a percentage of sales was 23.4% higher than last year and equal to the highest level within the last five years.
- Dividends of $0.68 per share were paid in 2009, the 69th consecutive year of paying a dividend.
- The balance sheet is strong, with appropriate levels of working capital and a conservative ratio of debt to equity. Debt declined substantially from 2008 and is now at its lowest level in over twelve years.
- Cash provided from operations of $14.4 million was substantially higher than in 2008 and was at the highest level since the mid-1990s. Cash flow from operations over this period has supported the Company's ability to fund normal operating expenses while also providing the funds to develop new products, make necessary investments in capital assets, make principal repayments, and pay dividends to our stockholders.

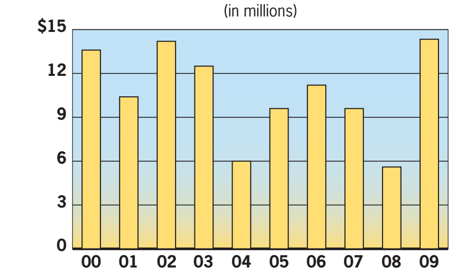
NET SALES
(in millions)



NET INCOME (LOSS)
(in millions)



CASH FLOW FROM OPERATIONS
(in millions)



(In millions, except per share data)	2009	2008	2007	Percent Change 2009/2008	Percent Change 2008/2007
Net Sales	$183.7	$225.8	$224.7	(18.6%)	0.5%
Net Income	5.3	5.8	5.5	(8.6%)	5.5%
Debt, Less Interest Rate Swap Instruments	18.7	27.3	27.5	(31.5%)	(0.7%)
Total Debt	20.3	29.5	28.4	(31.2%)	3.9%
Working Capital	46.2	51.9	49.3	(11.0%)	5.3%
Total Assets	138.4	155.3	161.3	(10.9%)	(3.7%)
Total Stockholders' Equity [1]	73.5	71.8	90.6	2.4%	(20.8%)
Net Cash Provided by Operating Activities	14.4	5.7	9.6	152.6%	(40.6%)
Per Share Data					
Cash Flow from Net Income	2.25	2.44	2.43	(7.8%)	0.4%
Basic Earnings from Net Income	1.20	1.30	1.24	(7.7%)	4.8%
Dividends Paid	0.68	0.68	0.68	0.0%	0.0%
Book Value [1]	16.44	16.05	20.28	2.4%	(20.9%)
Stock Price at Year-end	9.68	9.25	14.70	4.6%	(37.1%)
Market Capitalization at Year-end	43.1	41.2	65.4	4.6%	(37.0%)

[1] Please see discussions titled Pension Matters as well as the Liquidity and Capital Resources sections of the "Review of Operations" on page 9.

RESIDENTIAL

BRANDS	PRODUCT LINES	MARKETS SERVED	BRAND POSITION
Thermo Pride Burnham by U.S. Boiler Company New Yorker Governale Crown Boiler	U.S. Boiler and New Yorker product lines feature residential cast iron, stainless steel, aluminum, and steel boilers. U.S. Boiler also includes cast iron and steel heat distribution products, and indirect water heaters. The Governale line features cast iron radiators, baseboards, and convectors. The Thermo Products 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.	U.S. Boiler, New Yorker, Governale, and Crown 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 products are marketed in partnership with distributors directly to the distributors' customers in order to develop brand loyalty. Thermo Products sells directly to installing contractors and fuel dealers.	Burnham brand 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 brands 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 brand in the furnace and central air conditioning market.

COMMERCIAL

BRANDS	PRODUCT LINES	MARKETS SERVED	BRAND POSITION
Bryan Boilers Thermal Solutions Burnham Commercial Boilers	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 Steam 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 Steam 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 Boilers, and Thermal Solutions brand 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 brand of copper boilers offers unparalleled durability 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.

NORWOOD MANUFACTURING, INC., is a state-of-the-art manufacturer of painted light-gauge metal parts. These subsidiaries are wholly-owned by Burnham Holdings, Inc., and are respected as quality leaders in their markets.

LETTER TO OUR STOCKHOLDERS

Burnham Holdings, Inc. 2009 Annual Report

"As we look ahead, we are excited about our opportunities. The Company is strong and well positioned for ongoing growth and financial success. I want to thank employees, customers, vendors, and stockholders for your continued support and loyalty."

Albert Morrison, III
Chairman, President, and CEO

I'm pleased to report that Burnham Holdings, Inc., had a sound financial year in 2009, despite the deep recession in the general economy and our industry.

Significant efforts were made by all of our subsidiaries to secure sales in a very competitive environment; improve productivity; control expenses and production rates consistent with the level of business; and strengthen the balance sheet. This team effort by all employees produced sound results in challenging circumstances. The hard work and dedication of every member of our organization is greatly appreciated.

The Company made a solid profit, despite a significant drop in market demand, and paid dividends at the same level as 2007 and 2008. The year-end balance sheet was exceptionally strong, with the lowest level of financed debt in over twelve years. The pension trust was appropriately funded, and all loan covenants were met by a wide margin. In addition to producing sound financial results during the recession, we have materially improved the business through the introduction of a number of new lines of high efficiency, Energy Star® certified products, and through ongoing capital investment in our manufacturing facilities.

Market demand for residential heating equipment is highly seasonal during the course of the year and highly cyclical over a period of years, with strong demand during good economic times and weak demand during poor economic times. This pattern is typical of residential heating equipment, generally, including products supplied by major HVAC manufacturers such as Carrier, Trane, and Lennox. Market demand for commercial HVAC equipment follows a similar pattern, but lags residential to some degree.

The last cyclical high for residential heating equipment was in 2004, coincident with a strong economy and the boom in housing and real estate. Market demand in 2009 was down significantly from the high point and was the lowest in many years due to the severity of the recession. Company sales in 2009 were $183.7 million, down 18.6% from 2008, as a result of the decline in market demand. While the Company produces many types of residential and commercial heating products, our core business continues to be residential boilers. Market demand for residential boilers in 2009, as reported by all manufacturers, was down 19.3% from 2008 and 29.3% from the average of the past five years.

Looking ahead, no one knows precisely when the recession will end and when unemployment, consumer confidence, credit availability, housing, and real estate activity will return to more normal levels. However, we do know a number of very positive factors for our business in 2010, as follows:

- First, people are the key to everything. We have a highly experienced organization with a level of expertise and commitment of purpose that is unmatched by the competition.
- We are very optimistic about our market opportunities for the long term. 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 is vast, numbering in the millions. Although market demand can swing significantly in a given year, over time, all of these boilers will be replaced due to age or operating cost. Rising energy costs and conservation efforts will drive demand toward more sophisticated, more expensive products to achieve the highest possible efficiency. All of this will enhance what has historically been a lucrative replacement market and increase revenue 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 fuel bills.
- Our products are second to none in the industry and meet today's demand for advanced, energy conserving, equipment and controls.
- Our manufacturing facilities are strategically located, well maintained, vertically integrated, and operate at a high level of productivity and quality.
- Inventory levels are low at the wholesale level relative to current demand. Any improvement in the market will have an immediate impact on our sales.
- We are well financed, through a consortium of banks, at competitive rates. Our balance sheet is conservative, with a low percentage of debt relative to stockholder equity. We have the wherewithal to take advantage of opportunities and reinvest appropriately in the business.

As we look ahead, we are excited about our opportunities. The Company is strong and well positioned for ongoing growth and financial success. I want to thank employees, customers, vendors, and stockholders for your continued support and loyalty. We welcome your questions and concerns at any time.

Sincerely,

Albert Morrison, III
Chairman, President and CEO

Office Buildings…
Unmatched capabilities and energy efficiency are the result of combining the Burnham ES2™ cast iron boiler and Burnham Alpine™ stainless steel boiler, both by U.S. Boiler Company, Inc.

In an effort to enhance the efficiency of the heating system in this office building, the owners decided to use the best of both worlds…the only American-made ENERGY STAR® certified, cast iron atmospheric boiler—the Burnham ES2™—and a 95% super-high efficiency, stainless steel boiler, the Burnham Alpine™. As a simple, chimney-vented, cast iron boiler, the Burnham ES2 is in a class by itself for heating efficiency. And the Burnham Alpine condensing boiler maximizes fuel and energy savings as one of the most efficient boilers of its kind available in the marketplace today. Replacing two older boilers that were operating at less than 80% efficiency, this tandem installation will deliver an average efficiency of over 90%. Together the new boilers provide both space heating and domestic hot water for the building and have been configured to be a backup for each other.

One of the key features that contributes to the very high efficiency of this installation is the use of outdoor reset capabilities. By monitoring the outdoor temperature, these boilers can automatically adjust firing rates to continuously meet the building's heating requirements while saving fuel and energy. With mild outdoor temperatures in the fall and spring, the Alpine boiler can adjust its firing rate to use less fuel to provide only the heat required. When outdoor temperatures are very cold, the ES2 can easily and efficiently handle the demands for high-water-volume heating systems. This outdoor reset feature helps conserve fuel and helps make the overall system very efficient.

…the building owners are looking forward to many years of efficient, reliable heating from the ES2™ and Alpine™ boilers with their unique capabilities that are unmatched in the heating industry.

The exclusive Burnham control systems that are available on both the Alpine and ES2 boilers provide homeowners with easy-to-view operational information and diagnostics that help maintain a highly efficient, reliable, and comfortable heating system.

This powerful pair has already shown what it can do. There has been a substantial reduction in energy costs this winter for this building, and the owners are looking forward to many years of efficient, reliable heating from these sophisticated Burnham boilers, by U.S. Boiler Company, Inc.

OVERVIEW OF RESULTS

2009 was a year of focusing on the day-to-day "blocking and tackling" and taking advantage of opportunities when they presented themselves: from pursuing sales leads, eliminating non-value added costs, to optimizing production resources. You will read below that net sales of $183.7 million for 2009 declined by $42 million from 2008 levels. Despite this 18.6% decline in revenue, our net income of $5.3 million was almost equal to last year.

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 "Selling, administrative and general expenses" plus "Other income or expense" (mainly interest expense) divided by each year's gross profit percentage. In our record year of 2004 the measure of breakeven sales was $191 million. For 2009, this measure was $148 million, a substantial improvement over our record year and the 2008 level of $185 million.

Cash flow generated by operations was at the highest level since the mid-1990s, providing the ability to pay down our financed debt to the lowest level in over 12 years.

The year-ending Burnham Holdings, Inc. stock price and its book value increased from 2008 levels, and the Company paid common stock dividends for the 69th consecutive year at the rate of $0.68 per share, the same rate as 2008 and 2007.

Details of results mentioned in this overview are discussed on the following pages.

FINANCIAL PERFORMANCE

Net sales for 2009 were $183.7 million, down $42.1 million from last year's $225.8 million. The residential portion of the business (approximately 65% of Company's sales) continued to experience a cyclical downturn from the robust levels of 2004 and 2005. As discussed in the "Letter to Our Stockholders," this decline is the result of the economic cycle that not only has impacted Burnham Holdings but also the overall industry. 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, consumer confidence and spending behaviors, the deep recession in the general economy, and reduced credit availability. The 2009 market for our residential related products was down 19.3% in units from 2008 and 29.3% from the average of the past five years. 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 in commercial related products from 2004 through 2007, which mitigated the downturn in the residential portion of the business. However, in mid-2008, we began to feel the impact of constraints on spending in the commercial sector, which continued into 2009 and resulted in lower sales for this portion of our business. The Burnham Holdings strategies of product diversification, independent markets served, and continuous new product introductions, have produced a less dramatic decline in our sales trend for the last five years compared to the overall boiler industry.

INTEGRITY

The foundation for our 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.

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 customer 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.

Residential Homes…
The Sage2™ boiler control system on the Alpine™ boilers, by U.S. Boiler Company, Inc., brings comfort and system efficiency to residential homes.

When these homeowners added living space to their existing home, they also elected to upgrade the home's heating system to improve the overall comfort and system efficiency. Two Burnham Alpine™ boilers with U.S. Boiler's exclusive boiler control system were chosen for the job. These boilers are Energy Star® certified with heating efficiencies of 95% that provide the best fuel utilization and energy efficiencies available today.

A single furnace was used to supply heat to the original home. The extensive home addition called for the use of radiant floor heating in the main living space, along with the addition of two hydronic air coil units to augment the original system in other areas in the home. A new bathroom utilizing radiant heat installed in the floors and shower walls has also been added. The two Burnham Alpine boilers provide a very high-efficiency heating system for this application. Maximum system efficiencies are achieved with the built-in outdoor reset capabilities that adjust the boiler firing rates for the best fuel utilization based on outdoor temperature and heating system demands. The two boilers are also linked together for further enhanced efficiencies and built-in backup protection.

Burnham Alpine boilers are available as floor mounted models or as the very popular wall-hung configurations seen here. The exclusive Burnham control system is very powerful and easy to use. The backlit touch screen offers simple-to-read boiler status and diagnostic information, providing many features that are unique to Burnham boilers. Burnham Alpine boilers offer homeowners the best in heating efficiency, control capabilities, and energy savings that, as a package, are unmatched in the industry.

Burnham Alpine™ boilers, by U.S. Boiler Company, Inc. offer homeowners the best in heating efficiency, control capabilities, and energy savings that as a package are unmatched in the industry.

Although current business conditions remain difficult, we are optimistic about the longer-term prospects for the business. Existing boilers will continue to be replaced over time due to age or operating costs. Our powerful lineup of high-efficiency residential and commercial products sold through the subsidiary companies position them well in the market. These products are top-quality, high-value equipment for virtually any application.

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 3.9% of reported 2009 revenues.

The net income for 2009 was $5.3 million, or $1.20 per basic share, very similar to the $5.8 million, or $1.30 per basic share, reported for 2008. The stability of the bottom line was accomplished in spite of the decline in industry units and a highly competitive pricing environment.

With net sales declining and the need to remain competitive in the market, increased emphasis was placed on cost control and resource optimization, both facility and manpower, in order to maintain operating margins. The Company's sales are highly seasonal; both residential and commercial sales follow patterns throughout the year, requiring us to produce inventory during off periods to meet demand during peak periods. The uncertainty of the 2009 seasonal demand and the decision on when to build inventory, 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 2009 from the prior year by nearly $10 million. This lowering of expenses further built upon the reductions we accomplished in 2008, positions us to have gross profit margins equal to the highest level within the last five years.

We have steadily continued our process of reducing selling, administrative and general expenses ("SG&A"). The 2009 SG&A expenses, which declined by nearly $5 million from 2008, are at their lowest dollar level for at least the last 12 years. This has been accomplished through a careful review of processes, personnel, and program justifications, to ensure that the Company is 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 2009 and 2008. Actual cost of goods sold as a percentage of sales reduced favorably to 76.6% in 2009 versus 77.9% in 2008, and 2009 SG&A expenses were 18.3% as a percentage of sales compared to 17.0% in 2008.

In addition, the "Other income (expense)" section of the Statement of Income is reflecting a total expense of $1.0 million, an improvement from prior year's expense of $2.3 million. You will note within this section income for 2009 of $369 thousand compared to an expense of $(427) thousand for 2008, resulting from 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 2009 because of lower borrowing levels and lower interest 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.

Schools...
The Triple Flex™ boiler by Bryan Steam, LLC brings energy efficiency and dependable warmth to the Kankakee Valley Intermediate School in Wheatfield, IN.

Bryan Steam, LLC was the originator of the flexible bent tube boiler. It has taken the next step in the evolution of the flexible bent tube boiler with its new Triple-Flex™ boiler. The Triple-Flex is the only one of its kind that incorporates a 3-pass stainless steel condensing design. This enables it to extract the greatest amount of heat possible from the combustion process. The result is a boiler that delivers a guaranteed thermal efficiency of at least 90% at high water temperature, and can operate at up to an incredible 99% efficiency.

The Triple-Flex was introduced in early 2009, and the reviews have been very positive. One of the earliest installations was in the Kankakee Valley Intermediate School in Wheatfield, Indiana. Dr. Glenn Krueger, superintendent of the school district, expected efficiency improvements over the previous boiler, but was pleasantly surprised at how much the Triple-Flex saved the school in heating costs during its first year.

Bryan Triple-Flex™ boilers provide unmatched efficiencies and capabilities providing building owners with long-term reliability and energy savings.

"Our old boiler used way too much energy," claims Dr. Kruger. "We were short-cycling all the time, starting and stopping and not keeping the school warm. We wanted the highest efficiency we could find…Year over year we saved $8,723.38 in five months—and it was a colder winter. We don't even have the system tweaked yet! I expect an additional 5-10% savings this winter. One night it was 20 below zero and we were only at 85-90% capacity.....at 20 below! This technology is certainly at a higher level than anybody else on the market. It condenses at 160 degrees! We'll be looking at Triple-Flex boilers for anything we do."

Bryan's Triple-Flex boilers offer unmatched efficiencies and capabilities, providing building owners with long-term reliability and energy savings.

Steps have been taken over the past seven years to protect benefits for retirees and 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 accrual was eliminated for all new hires and active employees with the exception of 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. The assets at the end of 2008 were only $94.2 million, as a result of the downturn in the stock market and corresponding impact to the investments of the pension trust, compared to the 2008 liability of $114.5 million. This $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 million from 2007 combined with the $20.3 million shortfall from 2008, both net of tax). In 2009, the stock market rebounded to recover a portion of the prior year's loss, which favorably impacted the investments of the pension trust. The pension assets at the end of 2009 increased to $109.1 million compared to the 2009 liability of $126.9 million (increased from prior year because of plan assumption changes related to the discount rate and government-supplied mortality tables). This $17.8 million shortfall (improved from the 2008 $20.3 million shortfall) is recorded as a liability on the Company's balance sheet.

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 interest rate hedge 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 2009 and 2008. The Company made $4.2 million and $2.8 million of voluntary contributions during 2009 and 2008, respectively. The Company believes any minimum required contributions in 2010 will not be material.

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.

STABILITY

Our 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 Holdings a rock-solid, dependable company.

Net cash provided from operations in 2009 was $14.4 million, up substantially from the $5.7 million provided in 2008. The main reasons for this increased cash flow were a decrease of accounts receivable of $6.2 million (increased receipt of funds) and a decrease in inventory levels of $6.8 million (lower spending). These two positive factors were marginally offset by a $4.2 million (pre-tax) contribution to

Military Installations…
Evolution® boilers, by Thermal Solutions Products, LLC support our armed forces by equipping them with products designed to meet their exacting standards.

Readiness, perfection, and attention to detail. This is the creed of the men and women serving our country at Minot Air Force Base in Minot, ND. The success of their ongoing mission of vigilance depends on a steadfast commitment to this code at every level. When the base sought to replace its existing centralized heating system with individual boilers and water heaters to reduce fuel consumption, one boiler was selected to meet the exacting standards… the Evolution® by Thermal Solutions. In order to meet the needs of the base, a combination of 129 individual boilers and water heaters were required. These units needed to be highly reliable, efficient, easy to service, and space-efficient. Evolution boilers proved to be the product of choice on all fronts.

By using industrial grade components and an advanced copper-finned heat exchanger design, the Evolution and Evolution Condensing boilers have a proven track record of reliable operation. The design of the heat exchanger, with an advanced in-house-designed boiler control system, and condensing capabilities enables these boilers to operate at efficiencies up to 99%. With features such as easy internal access from both front and back, multiple venting options, and same-side boiler connections, ease of maintenance has been built in. Evolution boilers have been designed to be space efficient as well. A vertical ceramic burner and heat exchanger permit this boiler to have a small footprint, enabling a variety of installation possibilities.

For Thermal Solutions Products LLC, being the company chosen to supply heat and hot water for 129 individual installations at this location was a noteworthy achievement. The fact that both the product and the manufacturer selected passed the stringent criteria for excellence that the United States Air Force demands from all phases of operation makes an impressive statement for the Evolution.

When the base sought to replace it's existing centralized heating system with individual boilers and water heaters to reduce fuel consumption, one boiler was selected to meet the exacting standards… the Evolution® by Thermal Solutions Products, LLC.

Burnham Holdings, Inc. 2009 Annual Report

the Company's pension trust (while this payment does not impact operating profits, it is deductible for income taxes). The decrease in receivables is in line with the overall decline in revenue for the year and our internally measured Days Sales Outstanding ratio remains consistent 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 2009 and 2008 supported the Company's ability to fund normal operating expenses while also providing the funds to develop new products, 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 $18.7 million as a result of principal payments, down from $27.3 million last year, and is the lowest debt level in over 12 years. The debt related to interest rate instruments of $1.6 million (this is the mark-to-market of three interest rate swaps that will reverse themselves over the terms of the agreements) declined from last year's level of $2.1 million.

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 these agreements were amended to provide an additional credit of up to $2 million for specific bank services, and to increase the LOC agreement to $3.5 million. In 2009, these agreements were amended to extend the terms of the agreements by a year to May 2011. 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, 2009 and 2008, the Company was in compliance with all covenants as shown below:

Dollars in thousands	December 2009	December 2008	
Funded Debt [1]	$ 16,242	$ 24,536	
Stockholders' Equity on FIFO basis [2]	109,762	109,186	Minimum level: $95,900 for 2009 and $93,200 for 2008
Debt Coverage Ratio [1]	2.61	6.03	Minimum Ratio: 1.35
Funded Debt to EBITDA [1]	1.59	1.64	Maximum Ratio: 5.00 for 2009 and 6.00 for 2008

[1] As defined by Revolver and LOC Agreement (EBITDA definition changed for 2009)
[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 2009	December 2008	December 2007
Cash & Marketable Securities	$ 3,827	$ 3,608	$ 3,496
Working Capital	46,163	51,929	49,259
Total Debt	20,275	29,460	28,417
Financed Debt [1]	18,676	27,332	27,482
Financed Debt [1] to Capital [2]	16.7%	23.2%	23.8%
Stockholders' Equity	73,509	71,769	90,613
AOCI	(19,394)	(18,847)	2,755
Stockholders' Equity (excluding AOCI)	92,903	90,616	87,858
Common Stock Price	$ 9.68	$ 9.25	$ 14.70
Book Value per share as reported	16.44	16.05	20.28
Book Value per share (excluding AOCI)	20.80	20.28	19.66

[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.

Historical Buildings…
The Hershey mansion in Hershey, PA, receives high efficiency and simple energy management from the Burnham Commercial MPC™ boiler.

Two new Burnham Commercial Model MPC™ high-efficiency commercial boilers were recently installed in the historic High Point Mansion located in Hershey, PA. Built in 1908 as the home of Milton and Catherine Hershey, the mansion sits alongside the Hershey Country Club and serves as the headquarters of the Hershey Trust Company.

To replace very old and inefficient boilers in this building, two Burnham Commercial MPC boilers were selected to provide heat for the building through a combination of 5 air handlers, 52 fan coils, and commercial finned-tube radiation. These MPC boilers provide the highest efficiencies available today for commercial oil-fired, cast iron products. The Burnham Commercial MPC boilers are well suited for this job, with their unique 3-pass flue design and return water mixing tube, which translates into exceptional heat transfer as well as the ability to return water temperatures as low as 80°F. Burnham Foundry, LLC in Zanesville, OH, pours the MPC's unique 3-pass cast iron sections.

The MPCs installed in the mansion are equipped with an exclusive Burnham Commercial boiler control system. Designed by in-house engineers, this boiler control system oversees a multitude of boiler functions and offers simple integration into the building's energy management system. This control system allows the two boilers to be connected, allowing them to operate in conjunction with each other for even greater efficiencies and energy savings. The heating system also offers advanced features like outdoor reset, domestic hot water priority, firing modulation, and warm weather shutdown.

The result is a highly efficient cast iron commercial boiler with a comprehensive control system that provides unique and unmatched capabilities exclusive to Burnham Commercial products.

The result is a highly efficient, cast iron commercial boiler with a comprehensive control system that provides unique and unmatched capabilities exclusive to Burnham Commercial products. For the historic High Point Mansion, this translates into a comfortable working environment with lower heating costs.

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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 $2.1 million and $3.6 million in 2009 and 2008, respectively, compared to our 2009 depreciation expense of $4.5 million. Our practice has generally been to re-invest capital at a level that approximates the depreciation expense within the operating statements. 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 Burnham Foundry, LLC (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 $500 thousand expended for machinery, tooling, and pattern costs related to our new or redesigned products; and over $200 thousand for quality-related equipment to ensure the standards of our products. Capital expenditures for 2010 are budgeted at approximately $3.7 million. This spending includes approximately $1.3 million for new machinery to enhance production effectiveness and quality assurance; $800 thousand for regulatory upgrades at Burnham Foundry, LLC; and approximately $400 thousand for continued tooling and pattern costs based on planned new products.

BOARD ACTIONS

On February 25, 2010, the Company announced a quarterly dividend of $0.17 per share, the 70th consecutive year of paying a dividend. The annual dividend rate for Preferred stock is $3.00 per share.

At the February 2010 meeting, the Board of Directors authorized the repurchase of 60,000 shares of common stock of either class at market prices during 2010. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. The Company purchased 111 preferred shares in 2009. There were no other shares repurchased in either 2009 or 2008.

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.

DIVERSIFICATION

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

CERTAIN SIGNIFICANT ESTIMATES

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 relevant expenses and reserves.

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 $175,000 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-2010, the Company's retained liability is for the first $100,000 per occurrence of product liability and environmental 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 the great preponderance of future asbestos claims will be covered by existing insurance. 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 cost of settlements in 2009 and 2008, for all uninsured litigation of every kind was $444,000 and $124,000, respectively. The 2009 amount includes some unusual matters, the largest of which is a self-insured asbestos claim (while it is rare for an asbestos suit not to be covered by insurance, a few such claims exist, depending on the alleged time period of asbestos exposure). 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 operations of 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 federal, state and local environmental regulations and 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 modified 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's subsidiaries can potentially be responsible for response actions at disposal areas containing materials from their operations. In the past five years, the Company has received only two notices that it or its subsidiaries might be responsible for remedial clean-up actions under government supervision. A notice, received in December 2007, pertained to an on-site sanitary sewage system at the Wendland Manufacturing Corp. facility in San Angelo, Texas. In 2008, wastewater discharge from the Wendland facility was connected to the local public sewage system, with final clearance from the local regulatory agency pending. The second notice relates to an older, previous agreement for a formerly owned site in Elizabeth, New Jersey. In 2000, a Company subsidiary entered into an agreement with the New Jersey Department of Environmental Protection to clean up portions of this site. To date, all costs associated with the clean-up have been reimbursed by insurance proceeds. Most recently, our insurance carrier has established and funded a trust account to fund anticipated future site activities. 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.

REPORTS OF MANAGEMENT AND INDEPENDENT AUDITORS

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.

ParenteBeard LLC, 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, 2009 and 2008, 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, 2009 and 2008, 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.

ParenteBeard LLC
Lancaster, Pennsylvania
March 3, 2010

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31 (In thousands, except per share data) 2009	2008
Net sales	**$183,678**	$225,805
Cost of goods sold	**140,738**	175,961
Gross profit	**42,940**	49,844
Selling, administrative and general expenses	**33,555**	38,436
Operating income	**9,385**	11,408
Other income (expense):		
Mark-to-market	**369**	(427)
Interest and investment income (loss)	**212**	(126)
Interest expense	**(1,620)**	(1,787)
Other income (expense)	**(1,039)**	(2,340)
Income before income taxes	**8,346**	9,068
Income tax expense	**3,007**	3,264
NET INCOME	**$ 5,339**	$ 5,804
BASIC EARNINGS PER SHARE	**$ 1.20**	$ 1.30
DILUTED EARNINGS PER SHARE	**$ 1.20**	$ 1.30

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

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31 (In thousands) 2009	2008
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,827**	$ 3,608
Trade accounts receivable, less allowances (2009 – $486 and 2008 – $305)	**23,767**	30,165
Inventories:		
Materials, in process and supplies	**29,523**	35,318
Finished goods	**9,374**	10,377
Total inventory	**38,897**	45,695
Prepaid expenses and other current assets	**1,309**	1,124
Current portion of deferred income taxes	**1,764**	1,895
TOTAL CURRENT ASSETS	**69,564**	82,487
PROPERTY, PLANT AND EQUIPMENT, net	**45,720**	48,202
DEFERRED INCOME TAXES	**777**	2,776
OTHER ASSETS, net	**22,373**	21,815
TOTAL ASSETS	**$138,434**	$155,280

LIABILITIES AND STOCKHOLDERS' EQUITY

	2009	2008
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 21,426**	$ 27,128
Income taxes payable	**1,632**	3,032
Current portion of other postretirement liabilities	**196**	242
Current portion of long-term debt	**147**	156
TOTAL CURRENT LIABILITIES	**23,401**	30,558
LONG-TERM DEBT	**20,128**	29,304
OTHER POSTRETIREMENT LIABILITIES	**21,396**	23,649
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY		
Preferred Stock	**530**	530
Class A Common Stock	**3,283**	3,258
Class B Convertible Common Stock	**1,627**	1,652
Additional paid-in capital	**14,308**	14,308
Retained earnings	**91,113**	88,820
Accumulated other comprehensive income (loss)	**(19,394)**	(18,847)
Treasury stock, at cost	**(17,958)**	(17,952)
TOTAL STOCKHOLDERS' EQUITY	**73,509**	71,769
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$138,434**	$155,280

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, 2009 and 2008
(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, 2008	**$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**
Cost of 111 shares of preferred stock acquired for treasury	–	–	–	–	–		–	(6)	(6)
Conversion of common stock	–	25	(25)	–	–		–	–	–
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	–	–	–	–	5,339	$ 5,339	–	–	–
Change in fair value of derivative, net of $238 of tax	–	–	–	–	–	423	423	–	–
Pension liability adjustment, net of $562 of tax	–	–	–	–	–	(1,000)	(1,000)	–	–
Post-Retirement medical liability adjustment, net of $17 of tax	–	–	–	–	–	30	30	–	–
Total comprehensive income (loss)						$ 4,792			4,792
Balance at December 31, 2009	**$530**	**$3,283**	**$1,627**	**$14,308**	**$91,113**		**$(19,394)**	**$(17,958)**	**$73,509**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31
(In thousands)

	2009	2008
OPERATING ACTIVITIES		
Net income	**$ 5,339**	$ 5,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**4,673**	5,041
Deferred income taxes	**2,439**	429
Pension expense	**91**	1,009
Postretirement liabilities	**64**	(20)
Bad debt expense and other allowances	**(2,296)**	(137)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	**6,217**	(3,492)
Decrease (increase) in inventories	**6,798**	(661)
(Increase) decrease in prepaid expenses and other current assets	**(185)**	224
Contribution to pension trust	**(4,200)**	(2,800)
(Decrease) increase in accounts payable and accrued expenses	**(3,180)**	663
Decrease in income taxes payable	**(1,400)**	(379)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**14,360**	5,681
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,056)**	(3,552)
Sale of marketable securities	**—**	755
Purchase of other assets	**(8)**	(13)
NET CASH USED IN INVESTING ACTIVITIES	**(2,064)**	(2,810)
FINANCING ACTIVITIES		
Proceeds from borrowings	**—**	1,193
Principal payments on long-term debt and capital lease obligations	**(9,025)**	(151)
Purchase of Treasury stock	**(6)**	—
Dividends paid	**(3,046)**	(3,046)
NET CASH USED IN FINANCING ACTIVITIES	**(12,077)**	(2,004)
INCREASE IN CASH AND CASH EQUIVALENTS	**219**	867
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,608**	2,741
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,827**	$ 3,608

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., is the parent company of fourteen subsidiaries that together form a leading domestic manufacturer of boilers, and related HVAC products and accessories (including furnaces, radiators, and air conditioning systems) for residential, commercial and industrial applications. As defined by financial accounting standards related to the disclosures about segments of an enterprise, 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 2009 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 2009, amounted to 3.9% of reported net revenues. Sales to the ten largest customers amounted to $50,300 and $69,000 in 2009 and 2008, 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 the Securities and Exchange Commission Staff Accounting Bulletin on this topic, which summarizes certain of the 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	2009	2008
Balance at January 1	$ 305	$ 235
Net accruals for accounts	214	101
Credit losses	(33)	(31)
Balance at December 31	$ 486	$ 305

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, 2009 and 2008, these gross receiving and shipping costs were $7,612 and $9,501, 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 ($2,736 at December 31, 2009); 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, 2009 and 2008, this was not material to the Company's liquidity.

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 $1,393 and $817 were included in accounts payable as of December 31, 2009 and 2008, respectively.

Marketable Securities: At December 31, 2009 and 2008, the Company did not have any marketable securities.

Fair Value of Financial Instruments: In September 2006, the Financial Accounting Standards Board ("FASB") issued a statement related to Fair Value Measurements ("FVM"). FVM 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. FVM also expands financial statement disclosures about fair value measurements. The Company adopted FVM as of January 1, 2008, with the exception of the application of the statement to non-recurring non-financial assets and non-financial liabilities, which was delayed and therefore adopted as of January 1, 2009.

Valuation Hierarchy. FVM 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.

The following table presents interest rate swaps assets and liabilities carried at fair value as measured on a recurring basis as of December 31, 2009 and 2008:

	Total Carrying Value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2009				
Receivable	$ 500	—	$ 500	—
Payable	1,599	—	1,599	—
December 31, 2008				
Payable	$2,128	—	$2,128	—

Valuation Techniques. FVM 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. The Company adopted FVM 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 approximate their carrying values at December 31, 2009 and 2008, 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 financial accounting standards specific to 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 77% 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 $16,859 and $18,570 higher than reported at December 31, 2009 and 2008, 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 2009 and 2008, 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 2009 and 2008 purchases, the effect of which decreased cost of goods sold by approximately $1,162 and $201 at December 31, 2009 and 2008, respectively. These changes increased profits in 2009 by approximately $743 or $0.17 per share and in 2008 by approximately $129 or $0.03 per share.

Impairment of Long-Lived Assets: The Company evaluates long-lived assets whenever 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, 2009 or 2008, 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 2009 and 2008 was $4,538 and $4,849, 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 financial accounting standards specific to Goodwill and Other Intangible Assets. The Company has determined that no impairment exists as of and for the years ended December 31, 2009 and 2008. Other intangible assets (primarily customer lists, non-compete agreements, and patents and trademarks) within this line item amount to $291 and $418 in 2009 and 2008, respectively, net of accumulated amortization of $3,379 and $3,244 in 2009 and 2008, respectively, and are being amortized over 3 to 20 years using the straight-line method. Amortization expense was $135 and $192 for the years ending 2009 and 2008, respectively. Future amortization expense is expected to be: $78 - 2010, $56 - 2011, $40 - 2012, $24 - 2013, $14 - 2014, and $79 - 2015 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, 2009 and 2008.

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.

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Consolidated Earnings Per Share ("EPS"): For the years ended December 31, 2009 and 2008, basic and diluted earnings per share are computed as follows:

For the Year Ended 2009	Net Income	Weighted Average Shares*
Income	$ 5,339	
Less preferred stock dividends	(18)	
Income available to common stockholders	$ 5,321	4,452
Basic and Diluted Earnings Per Share	$ 1.20	

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	

*Shares stated in thousands

In accordance with financial accounting standards related to EPS, basic earnings per share is computed by dividing the 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 accounting guidance, 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 2009 and 2008, 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 2009 and 2008 there were no dilutive securities, as the exercise price of all outstanding options was greater than the market value of the Company's common stock.

Accounting Developments: On July 1, 2009, FASB finalized a process, called Standards Codification, which organized by numerical category, thousands of U.S. GAAP pronouncements. FASB's main objectives were: to reduce the amount of time and effort required to solve an accounting research issue; improve usability of literature thereby mitigating the risk of noncompliance with standards; and provide real-time updates as new standards are released.

As a result of this change and for practicality and simplification purposes, beginning with quarterly and annual filings after July 2009, referencing of financial accounting standards may be more general in nature, and by concept, versus a specific codification numerical number. The codification process does not change or diminish the integrity of U.S. GAAP. The Company has elected to reference financial standards by topic in an effort to provide a more user-friendly, informative document.

3. CERTAIN SIGNIFICANT ACCRUALS AND RESERVES

The Company expenses, in the year incurred, those 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.

	2009	2008
Balance at January 1	$2,118	$3,089
Accruals related to warranties	398	273
Settlements made (in cash or in kind)	(829)	(1,244)
Balance at December 31	$1,687	$2,118

4. PROPERTY, PLANT AND EQUIPMENT

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

Year Ended December 31	2009	2008
Land and land improvements	$ 4,543	$ 4,563
Buildings and improvements	33,588	33,321
Machinery and equipment	89,310	88,425
Total property, plant and equipment	127,441	126,309
Accumulated depreciation	(81,721)	(78,107)
Net property, plant and equipment	$ 45,720	$ 48,202

At December 31, 2009 and 2008, the leased mobile equipment under capital leases that was included in net property, plant and equipment totaled $30 and $73, respectively.

Future minimum payments, by year and in the aggregate, under non-cancelable operating leases as of December 31, 2009, are: $2,102 – 2010; $1,674 – 2011; $1,666 – 2012; $1,400 – 2013; $1,225 – 2014; and $7,463 – 2015 and thereafter.

At December 31, 2009 and 2008, rental expense for property (principally warehouse space) that was included in operating expenses totaled $2,286 and $2,258, 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. Lease expense of $310 and $304 are included in operating expenses for 2009, and 2008, respectively.

5. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

Year Ended December 31	2009	2008
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	161	203
Pennsylvania Machinery and Equipment Loan due through December 1, 2012	221	292
Revolving line of credit due on May 1, 2011	13,000	21,500
Fair value of swaps	1,599	2,128
Capital lease obligations and other	30	73
Total long-term debt	20,275	29,460
Less current portion	147	156
Long-term debt	$20,128	$29,304

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). In June 2008 an additional credit line was added of up to $2 million for specific bank services. Under these agreements, the Revolver and the LOC were due in full on May 1, 2010, except that yearly extensions of this date are to be considered on the anniversary date of the agreements. In May of 2009, both of these agreements were extended until May 1, 2011. 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, 2009, be at least $95,900 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, 2009, was $109,762 on this basis ($73,509 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, 2009 and 2008, the Company was in compliance with all covenants. Interest rates as of December 31, 2009 and 2008 were 1.98% and 2.29%, 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 LIFO and other specific adjustments, 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 variable bond is a floating interest rate equal to LIBOR plus a margin based on a LIBOR rate schedule (0.76% and 2.72% at year-end December 31, 2009 and 2008, 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: $147 – 2010; $13,392 – 2011; $117 – 2012; $1,020 – 2013; $335 – 2014; and $5,264 – 2015 and thereafter.

Total interest incurred in 2009 and 2008 was $1,620 and $1,787, respectively. Interest paid during 2009 and 2008 was $1,604 and $1,858, 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 March 4 and March 19, 2009, with an effective beginning date of January 5, 2013, the Company entered into two interest rate swap agreements to hedge its exposure to interest rate fluctuations on $15 million of its outstanding long-term debt. The notional amounts of the swaps are $10,000 and $5,000, respectively. Under these agreements, the Company will pay the counterparty interest at a fixed rate of 4.11% and 3.52%, respectively, on the notional amount of the swaps. The counterparty will pay the Company interest at a variable rate equal to the 30-day LIBOR rate. The Company's obligation under the swaps has been collateralized as part of the Revolver discussed above under Long-term borrowings. The Company accounts for the swaps as cash flow hedges. Accordingly, the change in the fair value of the swaps has been included in other comprehensive income, a separate component of stockholders' equity. The fair values of the swaps are reflected in the Company's balance sheet at December 31, 2009, as an asset of $500. There was no expense incurred related to these swap agreements in 2009. The additional income recognized within other comprehensive income related to the change in the fair value of these swap agreements in 2009 was $320, net of taxes.

dollars in thousands except per share data

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 ($5,560 and $2,520 at December 31, 2009 and 2008, 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 (0.24% and 2.36% at December 31, 2009 and 2008, respectively). 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 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, 2009 and 2008 was $993 and $1,153, respectively. Additional expense incurred related to the swap agreement in 2009 and 2008 was $226 and $37, respectively. The additional income (expense) recognized within other comprehensive income related to the change in the fair value of the swap agreement in 2009 and 2008 was $103 and $(483), 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 (0.26% and 2.20% at December 31, 2009 and 2008, 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 (0.28% and 3.76% at December 31, 2009 and 2008, respectively). Under the terms of these agreements, the notional amount of the swaps decreases quarterly ($9,440 and $12,480 at December 31, 2009 and 2008, 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, 2009 and 2008 were $606 and $975, respectively. The 2009 and 2008 fair value was reflected in the Company's balance sheet as a liability. The 2009 and 2008 statements of operations reflect the change in fair value as mark-to-market interest income (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 2009 and 2008 was $479 and $264, respectively. Additional income (expense) recognized related to the change in fair value of the swap arrangement in 2009 and 2008 was $369 and $(427), respectively.

6. INCOME TAXES

The provision for income taxes consists of:

Year Ended December 31	2009	2008
Current:		
Federal	$ 102	$ 2,260
State	466	575
Total current	568	2,835
Deferred:		
Federal	2,236	533
State	203	(104)
Total deferred	2,439	429
Total income tax expense	$3,007	$ 3,264
Income taxes paid	$1,149	$ 2,734

The Company's effective income tax rates for 2009 and 2008 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	2009	2008
Current deferred taxes:		
Gross assets	$ 3,021	$ 3,369
Gross liabilities	(1,257)	(1,474)
Net current deferred tax assets	1,764	1,895
Non-current deferred taxes:		
Gross assets	9,006	10,524
Gross liabilities	(8,229)	(7,748)
Net non-current deferred tax asset	777	2,776
Net deferred tax asset	$ 2,541	$ 4,671

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

Year Ended December 31	2009	2008
Depreciation	$(7,297)	$(6,614)
Vacation	864	943
Employee benefits	1,635	1,682
Workers' compensation	343	501
Pension	6,387	7,304
Inventory	(633)	(992)
Warranty	651	868
Fair value of swap	404	774
Other	187	205
Net deferred tax asset	$ 2,541	$ 4,671

The Company adopted financial accounting standards related to accounting for uncertainty in income taxes 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	2009	2008
Balance at January 1	$ 450	$ 190
Gross increases for current year tax positions	472	612
Gross decreases for current year settlements of tax positions	(385)	(352)
Lapse of statute of limitations	—	—
Balance at December 31	$ 537	$ 450

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2009 and 2008, we have approximately $115 and $170 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 $537 and $450 as of December 31, 2009 and 2008, respectively. The tax years 2006 to 2009 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 4,573 and 4,462 shares in Treasury Stock at December 31, 2009 and 2008, respectively.

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	2009	2008
Class A stock issued	3,282,594	3,257,660
Treasury shares	(458,102)	(458,102)
Class A stock outstanding	2,824,492	2,799,558
Class B stock outstanding	1,627,397	1,652,331
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. Effective January 1, 2006, the Company adopted the financial accounting provisions specific to Share-Based Payments, ("SBP"). 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.

Compensation income related to the Company's share-based awards recorded for the year ended December 31, 2009 was $104. There was no income or expense recognized for 2008.

The significant weighted average assumptions were as follows:

Year Ended December 31	2009	2008
Dividend yield	4.5%	4.5%
Volatility rate	20.0%	19.0%
Risk-free interest rate	5.1%	5.8%
Expected option life (years)	10.0	10.0

Transactions for 2009 and 2008 are as follows:

	2009		2008	
Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding January 1	395,188	$19.97	344,388	$21.74
Granted	68,100	8.20	81,600	13.78
Exercised	—	—	—	—
Lapsed	(52,041)	19.65	(30,800)	23.28
Outstanding December 31	411,247	$18.07	395,188	$19.97
Exercisable December 31	277,047	$21.30	253,258	$22.52
Available for grant at December 31	339,772		355,831	

Plan options outstanding at December 31, 2009, have exercise prices between $27.78 and $8.20, with a weighted-average remaining contractual life of 6.22 years.

dollars in thousands except per share data

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 ("the 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 stopped 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 Plan. The third and final union group, originally covered by the Plan, agreed in February 2008 to freeze all participation in the Plan and to move to a union-sponsored plan not administered by the Company.

The Company also contributes to a union-sponsored defined benefit pension plan that covers all Peru, Indiana, bargaining unit employees. Company contributions to union-sponsored pension plans (covering Peru, Indiana, employees and union employees mentioned in the paragraph above) totaled $437 and $574 for 2009 and 2008, respectively. The Company does not administer these plans and the provisions of the negotiated labor agreement determine contributions.

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, 2008, the Company did not have a minimum contribution required for 2009. However, in 2009, the Company made a pre-tax contribution of $4.2 million into the Plan. In 2008, the Company made non-required pre-tax contributions of $2.8 million. Minimum contributions for 2010 are undeterminable at this time, but will be based on actuarial certifications to be received by August 2010 that are governed by the Pension Protection Act of 2006 ("PPA"). The Company believes minimum required contributions, if any, will not be material.

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 gain (loss) associated with holding these securities, $209 and $(201) in 2009 and 2008, respectively, has been recognized in the Company's earnings as part of interest and investment income (loss) in accordance with financial accounting standards. The assets of the Company (within Other Assets) and the liability to employees (within Other PostRetirement Liabilities) under the plan were $1,796 and $1,566 at December 31, 2009 and 2008, respectively. Adjustments to this liability caused by changes in the value of the marketable securities, $209 gain and $(201) loss in 2009 and 2008, respectively, are recognized in accordance with financial accounting standards, and are classified within selling, administrative, and general expenses.

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 pays 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 financial standards related to employers' accounting for Defined Benefit Pension and Other Postretirement Plans. Current standards require 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, the pension liability is the projected benefit obligation; for any other postretirement plan, the liability is the accumulated postretirement benefit obligation.

At December 31 2009 pension trust assets were $109,099 and the pension liability was $126,882, with the shortfall of $17,783 being recorded as a liability on the balance sheet. The pension liability increased in 2009 from the prior year because of assumption changes related to the discount rate and government-supplied mortality tables. Included in AOCI at December 31, 2009, are the following before-tax amounts that have not yet been recognized in net periodic postretirement benefit costs: unrecognized net actuarial loss of $26,477 and $2,042 for the Plan and postretirement medical benefits, respectively, and unrecognized prior service costs of $822 and $469 for the Plan and postretirement medical benefits, respectively.

At December 31 2008 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. 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 Plan and postretirement medical benefits, respectively, and unrecognized prior service costs of $1,058 and $537 for the Plan and postretirement medical benefits, 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, 2009 and 2008:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Projected benefit obligation	$(126,882)	$(114,568)	$(2,013)	$(1,995)
Fair value of plan assets	109,099	94,238	—	—
Funded status	$ (17,783)	$ (20,330)	$(2,013)	$(1,995)
Benefit liability recognized in the consolidated balance sheet at December 31	$ (17,783)	$ (20,330)	$(2,013)	$ (1,995)
Accumulated benefit obligation	$ 125,500	$ 113,247		

The pension trust 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, 2009 and 2008. The 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 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, 2009, the asset allocation was approximately 51% equity, 42% fixed income, and 7% 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.

In 2009 there were no Plan amendments. The Company made normal compensation and negotiated rate change amendments to the Plan in 2008, decreasing the pension benefit obligation by $101.

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

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Discount rates	5.80%	6.30%	5.80%	6.30%

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

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Discount rates	6.30%	6.00%	6.30%	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 2.5% and an average of 3.4% for 2009 and 2008, respectively.

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 trust. 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 an 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 Plan and postretirement medical benefits.

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Benefit cost	$ 91	$ 1,009	$ 386	$ 391
Employer contributions	4,200	2,800	322	411
Participant contributions	—	—	143	188
Plan amendments	—	(101)	—	—
Benefits paid	6,247	5,475	465	599

The following pension benefit payments, which reflect expected future service and salary, as appropriate, are expected to be paid: $6,300 – 2010; $6,724 – 2011; $7,146 – 2012; $7,502 – 2013; $7,873 – 2014; and $44,975 – 2015 to 2019.

The following postretirement medical benefit payments, net of plan participants' contributions, are expected to be paid: $196 – 2010; $218 – 2011; $221 – 2012; $217 – 2013; $208 – 2014; and $982 – 2015 to 2019.

Employee Savings Plans: The Company has established two (2) Employee Savings Plans as an employee benefit to encourage and assist employees in adopting 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 $463 and $484 in 2009 and 2008, 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 $20 and $21 in 2009 and 2008, respectively.

10. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

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, 2009 and 2008, the amounts outstanding were $2,450 and $2,750, 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.

On February 22, 2010, the Company sold the assets of Wendland Manufacturing Corp. in Texas. The sale, at slightly less than book value, was recorded in these 2009 financial statements. Wendland's book value and revenue were not material to the Company in 2009 or 2008.

During 2009, the Company adopted a new accounting standard related to subsequent events. The Company has evaluated subsequent events (events that occur after December 31, 2009) through March 3, 2010, which represents the date the financial statements were available to be issued. The adoption of this standard did not have a material effect on the Company's financial statements.

TEN YEAR SUMMARY

dollars in thousands except per share data

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Sales	$201,788	$202,267	$199,739	$230,714	$251,747	$238,768	$218,127	$224,677	$225,805	$183,678
Income (Loss) From Continuing Operations										
Before Income Taxes	13,134	12,280	16,652	15,872	15,409	5,208	(3,932)	8,629	9,068	8,346
Income Taxes from Continuing Operations	5,030	4,394	6,228	5,826	5,778	1,865	(1,599)	3,106	3,264	3,007
Income (Loss) from Continuing Operations	8,104	7,886	10,424	10,046	9,631	3,343	(2,333)	5,523	5,804	5,339
Net Income (Loss)	7,072	2,324	9,816	10,046	9,631	3,343	(2,333)	5,523	5,804	5,339
Basic Earnings (Loss) per Share of Common Stock from:										
Continuing Operations	1.82	1.79	2.37	2.28	2.17	0.75	(0.53)	1.24	1.30	1.20
Net Income (Loss)	1.59	0.53	2.23	2.28	2.17	0.75	(0.53)	1.24	1.30	1.20
Cash Flow per Share of Common Stock from:										
Continuing Operations	2.92	2.80	3.35	3.44	3.37	1.95	0.66	2.43	2.44	2.25
Net Income (Loss)	2.79	1.63	3.21	3.44	3.37	1.95	0.66	2.43	2.44	2.25
Total Dividends Paid	4,377	4,514	4,546	4,687	4,985	5,185	4,114	3,046	3,046	3,046
Dividends per Share of Common Stock	0.98	1.02	1.03	1.06	1.12	1.16	0.92	0.68	0.68	0.68
Net Book Value of Plant and Equipment	52,806	51,264	50,560	51,389	53,616	53,602	51,427	49,499	48,202	45,720
Purchases of Property, Plant and Equipment	4,525	3,530	3,905	5,010	7,277	5,079	2,823	3,047	3,552	2,056
Charges for Depreciation and Amortization	5,932	5,941	5,074	5,112	5,310	5,357	5,251	5,311	5,041	4,673
Current Assets	87,094	83,953	85,313	84,221	89,291	84,322	77,088	78,976	82,487	69,564
Current Liabilities	41,250	38,975	34,641	37,647	40,215	40,663	40,199	29,717	30,558	23,401
Working Capital	45,844	44,978	50,672	46,574	49,076	43,659	36,889	49,259	51,929	46,163
Total Debt	31,931	34,318	32,656	30,825	37,573	34,902	31,361	28,417	29,460	20,275
Net Worth	80,131	77,435	81,648	87,534	93,199	91,788	81,191	90,613	71,769	73,509
Book Value per Share of Common Stock	18.05	17.55	18.51	19.77	20.90	20.55	18.17	20.28	16.05	16.44
ProForma Book Value per Share of										
Common Stock*	18.05	17.55	18.51	19.77	20.90	20.61	19.16	19.66	20.28	20.80
Outstanding Shares of Common Stock**	4,422	4,394	4,396	4,412	4,444	4,451	4,452	4,452	4,452	4,452

The financial data summarized above was derived from audited financial statements.

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. 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. Burnham Holdings, Inc. and subsidiaries have 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

Business Strategy

Subsidiaries of Burnham Holdings, Inc. provide high-value, high-quality products backed by superior service. Products are manufactured at plants in the East, South, and Midwest. The largest subsidiaries market under eight well established brand names 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.

REPORTING REQUIREMENTS

Burnham Holdings, Inc., is the parent company of fourteen subsidiaries that together form a leading domestic manufacturer of boilers, and related HVAC products and accessories (including furnaces, radiators, and air conditioning systems), 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, 2009. 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 OTC Markets, Inc., 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 26, 2010, 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 Douglas B. Springer, Vice President and Chief Financial Officer.

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.

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; Christopher R. Drew; 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 and Chief Operating Officer
Robert G. Berardi	Vice President and Treasurer
Dale R. Bowman	Vice President
Douglas S. Brossman	Vice President and General Counsel
Christopher R. Drew	Vice President
Douglas B. Springer	Vice President and Chief Financial Officer
Bradley C. Ehlert	Controller

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