BURNHAM
HOLDINGS, INC.
2013 Annual Report

BURNHAM HOLDINGS
PERFORMANCE PROVEN • TECHNOLOGY FORWARD

LETTER TO OUR STOCKHOLDERS

"Although I expect market conditions to remain extremely competitive, I am very optimistic about our businesses and their prospects for long-term growth and financial success."

Last year provided another year of strong financial performance for Burnham Holdings, Inc.'s shareholders. Although 2013 sales were off 7% from 2012 as we put the impacts of Super Storm Sandy behind us, gross profit remained at a five-year high of 24%, resulting in earnings per share of $1.69 (excluding the Bryan pension change discussed below and the gain from a property sale). We were able to increase the dividend in 2013, representing an 11% increase last year, and an 18% increase over the last two years. Finally, we have continued to strengthen our balance sheet, ending 2013 with our lowest debt in over 15 years, and providing us significant flexibility to aggressively pursue strategic growth opportunities.

Following is a list of some of the more significant accomplishments your management team delivered in 2013:

- Our future success is dependent on our ability to provide high value products meeting the ever changing demands of our customers. We have continued our focus on new products, with 2013 being the fourth straight year that we have increased our investment in new product development, as we added new engineers to our already talented engineering staff. And the industry is starting to notice. Our companies introduced a record number of new high-efficiency products at the 2014 AHR industry trade show held in New York City in February, including the Thermal Solutions **ARTIC**,™ the Crown Boiler **PHANTOM**,™ and the US Boiler **K2™** high efficiency condensing boilers for both residential and commercial applications. We also made additional investments in manufacturing automation to reduce costs and improve the productivity of our manufacturing associates, including additional robotic manufacturing capabilities.

- Paul Sohler, the Director of Engineering at our Crown Boiler subsidiary, was recognized by AHRI, our industry trade group, by being awarded the Richard C. Schulze Award for his ongoing dedication and distinguished service and commitment to the hydronics industry. Paul was also named Chairman of the "TC 6.10 Fuels and Combustion Committee" with ASHRAE, a leading industry organization focused on advancing the arts and sciences of heating, ventilating, air conditioning and refrigerating. Paul is active on a number of AHRI and ASHRAE committees, and he is widely recognized by his peers throughout the industry as an expert in hydronic heating. Congratulations to Paul for his efforts in keeping our products at the forefront of the industry.

- We reached an agreement with the union employees at our Bryan Steam subsidiary to withdraw from the Boilermaker Multi-Employer pension plan. The employees had participated in the plan for many years, well before our acquisition of Bryan Steam. More recently, however, continuing to participate in the union's pension plan was brought into question when it was designated as "endangered" because of its significant underfunded status, thereby increasing its cost to Bryan Steam without a commensurate increase in benefits for the employees. While a significant expense at $5 million, withdrawal from the plan was in the best long-term interest of the business. We are very appreciative of all those involved in allowing us to reach a mutually agreeable solution on this matter.

- There is nothing more important to our success than the performance of our subsidiary companies. Each of our operating subsidiaries has an experienced, resilient leadership team that is committed to meeting the needs of their customers and driving shareholder value. The most recent addition to this leadership group is Bryan O'Toole, who joined Bryan Steam as its new president in August, 2013. Bryan is a dynamic leader, a skilled sales executive, and an industry veteran who has brought a renewed focus and energy to the Bryan Steam team. I continue to expect great things out of each of our subsidiary presidents in the coming years.

- Equally important to our success is the well-being of all our associates. We have introduced a wellness initiative that provides tools for each of our employees to access and improve their health. Activities range from biometric screenings to smoking cessation to exercise classes to participation in area races. I have had more than one employee thank me privately for this effort, acknowledging that their participation in these programs has allowed them to address a previously unknown condition, quit smoking, or just eat better and exercise more.

While I am very proud of these accomplishments, we have plenty left to do in the coming year to maintain our momentum. Market demand for our commercial and residential boiler products will continue to be driven by replacement of the large installed North American base, as well as new construction and building additions. While this demand remains strong, our customers are increasingly demanding new, more sophisticated, more expensive, energy conserving products to reduce fuel consumption and operating cost. Our new product pipeline will continue to be aligned with these changing customer demands, introducing new, high value products ahead of our competition.

Although I expect market conditions to remain extremely competitive, I am very optimistic about our businesses and their prospects for long-term growth and financial success. Our subsidiaries promote a group of strong brands that are well recognized in the industry. Our distribution and sales network provides our products broad access to all market channels. Our product development and operational execution will continue to provide competitively priced, high value products to our markets. Execution of our product, brand and sales strategies provides a strong cash flow that will allow us to make strategic investments in our businesses to maintain and enhance our cost and product competitiveness.

None of our advances would be possible, however, without the collective efforts of our dedicated employees. They possess a level of experience and commitment of purpose that is unmatched in the industry. I am extremely proud of what they have accomplished, and they have my deepest thanks for all they do to drive our results.

Lastly, I want to take this opportunity to thank you, our shareholders, for your continued support and loyalty. I welcome your questions and comments at any time.

Sincerely,

Douglas S. Brossman
President and CEO

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COMPANY PROFILE

Burnham Holdings, Inc., provides the heating, ventilation, and air conditioning (HVAC) industry with thermal and interior comfort solutions used in a wide range of residential, commercial, and industrial applications.

Our group of subsidiaries are market leaders in the design, manufacture and sale of boilers and related HVAC products and accessories, including furnaces, radiators, and air conditioning systems, offering a broad line of high-value, energy efficient products sold under well established brand names. Products are manufactured at company operated facilities in the East, South, and Midwestern United States.

Our residential subsidiaries drive customer value through highly efficient, innovative products providing interior comfort solutions for homes and small buildings. U.S. Boiler Company, Crown Boiler Co., New Yorker Boiler Company, and Governale collectively offer a full range of residential hydronic heating products, including cast iron, stainless steel, aluminum, and steel boilers; as well as cast iron and steel heat distribution products. Thermo Products offers warm air furnaces and central air conditioning systems for the residential heating and cooling markets.

Commercial and industrial heating and process needs are addressed by our commercial subsidiaries, including Burnham Commercial, Bryan Steam, and Thermal Solutions. Commercial heating applications include healthcare, education, hospitality, military bases, and multi-unit residential buildings. Industrial applications can include any project where steam or hot water is needed. Product offerings encompass a full range of cast iron, stainless steel, firetube, watertube, and copper tube boilers, as well as boiler room accessories, for the commercial and industrial markets.

Vertical integration of our operations is provided by subsidiaries that manufacture key product components. Every year, Casting Solutions converts tens of thousands of tons of scrap metal into boiler castings and other gray and ductile iron castings. Painted light-gauge metal parts are made by Norwood Manufacturing and Lancaster Metal Manufacturing.

Collectively, our affiliated companies offer more types and models of products and accessory equipment than any of our competitors. Our commitment to shareholder value through innovation has provided the foundation for our history of proven performance. Continued investment in technology and in operational and product excellence will drive that foundation forward.

OUR MISSION

To be leaders in providing thermal solutions for residential, commercial, and industrial applications, through highly efficient, dependable products.

OUR PRINCIPLES

Performance – Create shareholder value through industry leadership and operational excellence.

Innovation – Create customer solutions by applying advanced technology to create superior products and services.

Relationships – Treat all stakeholders with respect.

Integrity – We keep our promises.

COMPANY AFFILIATES & LOCATIONS

The consolidated financial statements include the accounts of Burnham Holdings, Inc., and its 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 800 employees nationwide, of which approximately 50% are union employees covered through separate collective bargaining agreements. Generally the agreements are for a three-year period and expire at different times. Major, operating subsidiaries of the company and their locations are shown below.

Company	Location
Bryan Steam, LLC	Peru, IN
Burnham Casualty Insurance Co.	Burlington, VT
Burnham Commercial	Lancaster, PA
Burnham Financial, LLC	Wilmington, DE
Burnham Services, Inc.	Wilmington, DE
Casting Solutions, LLC	Zanesville, OH
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

Burnham Holdings, Inc., is a holding company owning multiple, separated subsidiaries that each do business in the HVAC industry. All products, services and related activities referred to herein are the products, services, and related activities of the applicable subsidiary, and not of Burnham Holdings, Inc.

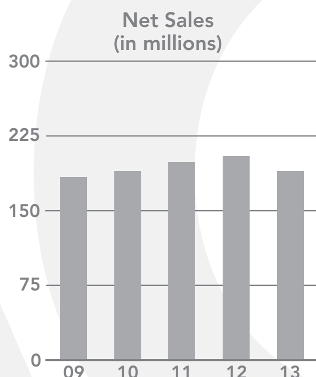
FINANCIAL HIGHLIGHTS

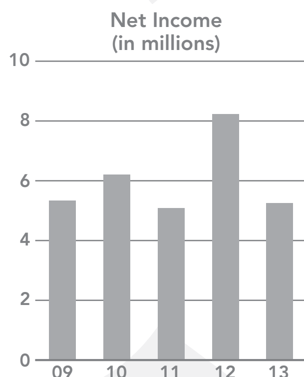
Burnham Holdings, Inc., is presenting a year of solid financial performance in 2013. With a firm foundation based on its proven performance, Burnham Holdings, Inc., is financially and operationally strong and well-poised to take advantage of current market opportunities. We continue to advance our strategic and technology driven initiatives for long-term success.

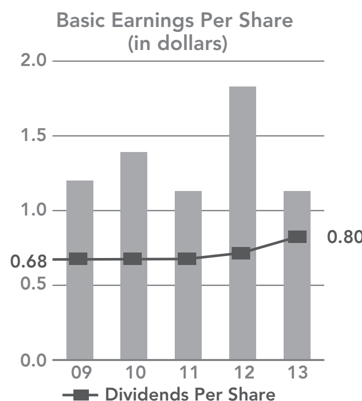
- Net sales were $190.2 million, a 7% decline from the Super Storm Sandy impacted 2012 results.
- Gross profit (as shown on page 10), as a percentage of sales was 24%, equaling last year, which was the highest in five years.
- Net income was $5.3 million or $1.18 per basic share ($1.69 per share after adjusting for the two non-recurring items presented within "Other income (expense)" of the Statement of Income and discussed in Notes 4 and 10), compared to 2012 results of $1.83 per share.
- Dividends of $0.80 per share were paid in 2013, an 11% increase from the $0.72 per share paid in 2012 and the second consecutive year of increased dividends.
- Book value per share of $18.04 is the highest in the last six years and proforma book value of $23.35 (adjusting Equity to exclude the impacts of Accumulated Other Comprehensive Income (Loss)), was the highest in over 15 years.
- Year-end debt has declined substantially for the last several years, with the 2013 level of $6.9 million, the lowest in over 15 years.

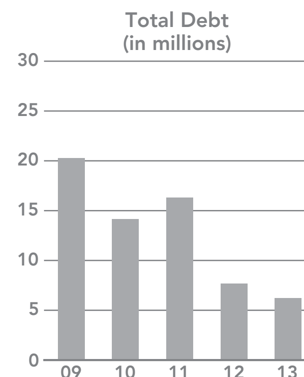
				Percent Change	
(in millions, except per share data)	**2011**	**2012**	**2013**	**2011/2012**	**2012/2013**
Net Sales	$ 198.8	$ 204.8	$ 190.2	3.0%	-7.1%
Net Income	5.1	8.2	5.3	60.8%	-35.4%
Debt, Less Interest Rate Swap Instruments	13.7	5.3	5.3	-61.3%	0.0%
Total Debt	16.3	7.7	6.9	-52.8%	-10.4%
Working Capital	43.6	40.7	39.9	-6.7%	-2.0%
Total Assets	146.8	149.1	141.8	1.6%	-4.9%
Total Stockholders' Equity [(1)]	64.4	68.9	81.6	7.0%	18.4%
Net Cash Provided by Operating Activities	6.5	14.0	6.5	115.4%	-53.6%
Per Share Data					
Cash Flow from Net Income	2.11	2.88	2.21	36.5%	-23.3%
Basic Earnings from Net Income	1.13	1.83	1.18	61.9%	-35.5%
Dividends Paid	0.68	0.72	0.80	5.9%	11.1%
Book Value [(1)]	14.34	15.29	18.04	6.6%	18.0%
Stock Price at Year-end	13.50	14.46	19.00	7.1%	31.4%
Market Capitalization at Year-end	60.3	64.9	85.6	7.6%	31.9%

(1) Please see the discussions titled Pension Matters as well as the Liquidity and Capital Resources section of the "Review of Operations" on page 5.









REVIEW OF OPERATIONS

OVERVIEW OF RESULTS

Burnham Holdings, Inc., is reporting solid financial performance for 2013. Net sales in 2013 were $190 million, gross profit at 24% of sales, and basic earnings per share of $1.18 ($1.69 per share excluding the two non-recurring items presented within "Other income (expense)"of the Statement of Income). The Company paid common stock dividends of $0.80 per share in 2013, an increase of 11% over 2012 and the second consecutive year of increased dividends per share. Book value per share of $18.04 is the highest in the last six years and proforma book value of $23.35 (adjusting Equity to exclude the impacts of Accumulated Other Comprehensive Income (Loss)) was the highest in over fifteen years.

While 2013 sales were lower than 2012 levels which were higher in response to demand created by Super Storm Sandy, our strong gross profit margin and effective cost-control measures have lowered our break-even level to among the best we have ever reported.

We began the year with a higher than normal demand for our residential boiler products as a result of the carryover effect from the recovery efforts of Super Storm Sandy which devastated coastal areas of the mid-Atlantic States and Southern New England, a core geographic area for hydronic heating equipment. This unusual demand diminished throughout the first quarter of 2013, and as the year progressed, demand for residential boiler products was more consistent with normal levels.

The higher than normal demand for our residential products in the first quarter offset soft sales in our commercial subsidiaries during the early portion of the year. Our experience has been that commercial markets tend to lag demand in our residential markets. Demand for the commercial portion of the business increased for the last four months of the year compared to the corresponding period of 2012, with 2013 year-end commercial order backlogs higher than those for the previous year. Residential sales accounted for 75% of our sales in 2013 (74% in 2012) compared to 66% in 2008, which was the start of the recession.

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

CREATING VALUE, DELIVERING RESULTS

In providing interior comfort solutions to the Heating, Ventilating and Air Conditioning (HVAC) industry for a multitude of residential, commercial, and institutional applications, Burnham Holdings has the proven ability to grow value for stakeholders year after year.

The key to our performance is a deep and clear vision of meeting current and future customer needs through innovative technology, including more energy efficient products, "green" products with lower emissions, and smarter controls. This vision drives our product development and operational excellence — along with a larger strategic perspective of the unique position we occupy in our respective business areas.

The diverse product lines of our subsidiaries serve defined market sectors, while meeting a broad and growing demand for energy-efficient thermal products. These products are applied everywhere hot water or steam is needed to provide solutions for interior comfort, to clean and disinfect hygienic applications, and to drive processes in the manufacturing environment.

Our diverse product mix meets the various needs of a broad array of residential, commercial, and institutional applications. For our stakeholders, this diversification, combined with the critical need for hydronic solutions, provides the foundation for consistent financial performance through fluctuating economic cycles.

Burnham Holdings provides consistent returns by creating value in established market segments. Demand for new thermal products and controls is constantly increasing and changing as the desire for higher efficiencies and cleaner emissions grows. This demand provides the basis for growth that augments the stable revenue stream resulting from a consistent replacement cycle. It also drives our investment in engineering and new product development to ensure new products are in the pipeline to meet future demand.

Burnham Holdings' commitment to investment in new product development spans our businesses. It is driven by a constantly evolving marketplace and guided by the needs and desires of end-users, home owners, contractors, specifying engineers, sales representatives, and distributors. We are constantly seeking strategic opportunities in competitive and emerging technologies that benefit our stakeholders.

The end result is a forward-thinking product development strategy that meets exacting requirements today, while delivering new and innovative technologies that can meet the expectations of tomorrow.

This broad footprint offers a strategic advantage, providing a significant sales presence in all of our major residential and commercial markets. The expertise and support of this network has enabled us to extend our offering into controls and accessories, heat exchangers and radiators, as well as advanced zone and system controls.

Our subsidiaries bring products to market under some of the most recognized brands in the industry.

Residential products made by our subsidiaries are typically sold through wholesale distributors who, in turn, market to builders, heating contractors, fuel dealers, and utilities for resale to residential customers.

Commercial products made by our subsidiaries are sold primarily through independent sales agencies to contractors or end-users for heating and industrial applications in large commercial, institutional, and industrial facilities, such as hospitals, hotels, and schools.

FINANCIAL PERFORMANCE

Net sales for 2013 were $190.2 million, down 7.1% from $204.8 million in 2012. The majority of Burnham Holdings, Inc.'s consolidated revenue is derived from sales in the United States. International sales, which include Canada and Mexico, were 2.0% of reported 2013 revenues.

Our subsidiaries continually seek to consolidate and streamline operations, enabling them to improve safety, product quality, and productivity, while providing a high level of customer service. Additionally, and most important during periods of unusual business activity as we have seen over the last two years, the Company and its subsidiaries strive to keep operating costs at a level that enables them to be highly competitive in their markets. The actions taken over the last several years have lowered our cost structure and increased our gross profit (profit after deducting cost of goods sold ("COGS")).

Actual COGS as a percentage of sales was 76.3% in 2013 versus 75.9% in 2012. Removing LIFO (tax related inventory adjustment) from the two years the COGS for 2013 would be within one-tenth of a percent of 2012, which was the lowest level in five years. Costs for commodity raw materials continue to fluctuate, reaching near all-time highs in 2012 and 2011, while stabilizing somewhat in 2013. Accordingly, we have steadily and systematically adjusted our product prices to recover any unfavorable cost increases. With the market relatively flat and the need to remain price-competitive, increased emphasis has been placed on cost control and resource optimization, both facility and manpower, in order to maintain gross profit margins. Through a combination of specific spending policies and flexibility with manufacturing capabilities, subsidiaries were successful in balancing the building of inventory and covering the costs of fixed overhead, while having the stock necessary to meet customer service expectations. As a result, manufacturing overhead expenses and production variances have continued to decline since the already low levels established in 2009 (the year of the sharp decline in the business cycle), when almost $10 million was removed from 2008 spending levels. In 2013, manufacturing related variances and overhead costs around the Company were reduced by $2.5 million or 5.4% of the 2012 levels. Our focus on expenses, following the reductions accomplished in prior years, positions us with gross profit percentages stronger than any year since the height of the housing boom. These deliberate cost reductions, however, have not been at the expense of necessary investment in product development. We have increased our investment in engineering and product development for the fourth straight year, as our subsidiaries are committed to being product leaders in their industry.

Selling, administrative, and general expenses ("SG&A"), shown on the Statements of Income on page 10, declined by $2.3 million from the 2012 level, and as a percentage of sales is within one-tenth of a percent to 2012 (17.4% versus 17.3%).

The "Other income (expense)" section of the Statements of Income shows 2013 with $4.3 million of expense compared to $1.0 million in 2012. The line item "Gain on sale of property" includes a 2013 gain of $1.274 million recorded within a Lancaster, PA subsidiary for the sale of excess land, in addition to $165 thousand and $170 thousand in 2013 and 2012, respectively, relating to the investment property sold in 2010. Both of these sales are described more fully in Note 4. The line item "Non-recurring pension withdrawal liability" of $5.0 million relates to a charge at a Company subsidiary (Bryan Steam, LLC) for withdrawing from a multi-employer pension plan as a result of a new union collective bargaining agreement. This was previously disclosed in a June 2013 Press Release, in the second and third quarter Company Press Releases, and more fully discussed in Note 10. Otherwise, the Company's net other expense was lower than in the prior year as a result of earning more income on investments and paying less interest expense on lower borrowing rates and less overall debt.

Additionally in 2013, we benefited through lower income tax rates from our increased engineering efforts and product development over the last couple of years. As a result of the government passing the new 2012 tax laws in January 2013, we were unable to take our Research and Development credits in 2012. Therefore in 2013, we were able to claim both 2013 and 2012 costs. These credits, along with manufacturing production credits, helped to lower our overall tax liability resulting in a 2013 effective tax rate of 31.0% compared to the 2012 rate of 35.7%.

In an effort to provide more transparent financial information, we are providing the following proforma table of information. Most of the line items have been mentioned in previous paragraphs and are more fully disclosed in other sections of this report. Excluding these unusual matters reflects the favorable trend of our core operating businesses on a FIFO (replacement cost) basis.

Dollars in thousands	December 2009	December 2010	December 2011	December 2012	December 2013
Reported Pre-tax Income	$ 8,346	$ 9,733	$ 7,656	$ 12,796	$ 7,698
LIFO (income) Expense	(1,711)	801	1,778	102	409
Gain on Sale of Property (Note 4)	—	(4,685)	(162)	(170)	(1,439)
Pension Withdrawal Liability (Note 10)	—	—	—	—	5,000
Legal Defense Costs (page 8)	162	2,201	811	256	(249)
Proforma Pre-tax FIFO Income	$ 6,797	$ 8,050	$10,083	$ 12,984	$11,419
Proforma % of Reported Net Sales	3.7%	4.2%	5.1%	6.3%	6.0%

Net income for 2013 was $5.3 million, or $1.18 per basic share. This compares to 2012 results of $8.2 million, or $1.83 per share.

PENSION MATTERS

Steps have been taken with the Company's pension plan (the "Plan") over the past years to protect benefits for retirees and eligible employees, while reducing future uncertainty for the Company. 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. Additionally, the Plan prevents the Company 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 10 of the financial statements. While the Company believes its assumptions are

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conservative in nature based on current knowledge, variables such as future market conditions, investment returns, and employee experience could affect results.

Current pension accounting standards require 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 that 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, or that the liability can swing significantly with relatively small changes in interest rates.

At the end of 2011, the pension assets were $124.5 million compared to the 2011 liability of $158.5 million. This $34.0 million shortfall was recorded as a liability on the Company's balance sheet. In 2012, as a result of favorable improvements in the investments of the pension trust, pension assets increased to $137.5 million. This is compared to the 2012 liability of $170.9 million, which increased from the prior year because of plan assumption changes, primarily related to lowering the discount rate to 3.75% (which is considered the lowest rate in modern history) from the 2011 rate of 4.25% (discount rates are set based on matching the Plan's cash flow stream with a portfolio of similar bond maturities). This unprecedented low rate was mainly a result of the Federal Reserve monetary policy designed to kick-start the economy. This $33.4 million shortfall (an improvement from the 2011 shortfall) was recorded as a liability on the Company's balance sheet.

The year 2013 brought even more dramatic changes to the Plan. First, and as a positive change, pension assets increased by $6.2 million to $143.7 million as a result of further favorable improvements in the investments of the pension trust. Additionally, the discount rate for 2013 was increased to 4.5%. This assumption change decreased the 2013 liability by $13.9 million to $157.0 million. This $13.3 million shortfall (comparing the $157.0 million liability to the $143.7 million of assets) is a substantial improvement in the shortfall reflected in 2012 and is recorded as a liability on the Company's balance sheet. While the Plan would appear to be under-funded from this limited, point-in-time accounting view, the Plan easily passes all ERISA funding targets (based on government defined rates and methods), and is close to being fully funded based on long-term discount rates recommended by our actuaries and investment consultants.

These entries are included in Stockholders' Equity in a subsection called Accumulated Other Comprehensive Income (Loss) ("AOCI"). In addition to the pension, AOCI includes other non-cash items such as mark-to-market adjustments for interest rate hedge instruments, currency contracts, 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. The Plan assets significantly exceeded minimum required levels at the start of 2013 and 2012. The Company made voluntary contributions of $5.511 million and $3.35 million during 2013 and 2012, respectively. The Company believes any minimum required contributions in 2014 would 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 subsidiary operations provides the Company with a significant source of liquidity.

Net cash provided from operations in 2013 was $6.5 million. This was compared to $14.0 million in 2012 (the second highest amount in the last ten years). The comparison between the years requires consideration of the prior year's unusual business activity. In 2012, we experienced strong net income, higher receivable and accounts payable levels, and a decline in inventories all as a result of the year-end Super Storm Sandy generated sales. For 2013, receivables, inventory, and accounts payable levels returned to more normal year-end levels, while higher income taxes were paid based on the strong 2012 results. Inventory levels, as well as other asset balances, continue to be monitored closely, and are appropriate for the current business level.

Most important, the cash provided by operations in 2013 and 2012 supported the group's ability to fund normal operating expenses while also providing the funds to develop new products, make necessary investments in capital assets, maintain low debt levels, make contributions to the Company's pension trust, and pay dividends to our stockholders.

Excluding the debt related to interest rate swap instruments, year-end "financed debt" for both 2013 and 2012 was $5.3 million, the lowest year-end debt levels in over 15 years. The outstanding $5.3 million of debt for the Company and its subsidiaries is composed of three Industrial Revenue Bonds used to finance specific equipment and facility expansions in both Pennsylvania and North Carolina. These loans have long-term, fixed repayment schedules. The debt related to interest rate instruments of $1.6 million (mark-to-market of three interest rate swaps that will reverse themselves over the terms of the agreements) decreased from last year's level of $2.4 million as a result of interest rate assumptions.

The Company has a loan agreement (the "Revolver") financed through a consortium of three banks totaling $72 million (primarily used for working capital needs) and three additional agreements (the "LOC") totaling $5.5 million for specific bank services. For both 2013 and 2012, there were no borrowings against the Revolver at year-end. In 2013, these agreements were amended to extend the term of the agreements by a year to August 2015. 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, 2013 and 2012, the Company was in compliance with all covenants as shown below:

Dollars in Thousands	December 2012	December 2013	
Funded Debt [1]	$ 1,476	$ 2,043	
Stockholders' Equity on FIFO Basis[2]	123,065	125,514	Minimum Level: $107,000 for 2013 and $102,000 for 2012
Debt Coverage Ratio[1]	6.02	6.26	Minimum Ratio: 1.35
Funded Debt to EBITDA[1]	0.09	0.17	Maximum Ratio: 5.00

(1) As defined by Revolver and LOC Agreement.
(2) Stockholders' Equity excluding AOCI (shown below) plus LIFO inventory reserve (which can be found in "Inventories" Note 2 on page 15).

KEY LIQUIDITY DATA AND OTHER MEASURES:

Dollars in Thousands	December 2011	December 2012	December 2013
Cash	$ 4,489	$ 4,740	$ 4,886
Working Capital	43,555	40,741	39,884
Total Debt	16,320	7,692	6,865
Financed Debt [1]	13,713	5,264	5,264
Financed Debt [1] **to Capital** [2]	12.2%	4.8%	4.7%
Stockholders' Equity	64,392	68,891	81,599
AOCI	(33,917)	(34,634)	(23,966)
Stockholders' Equity (excluding AOCI)	98,309	103,525	105,565
Common Stock Price	$ 13.50	$ 14.46	$ 19.00
Book Value Per Share as Reported	14.34	15.29	18.04
Book Value Per Share (excluding AOCI)	21.93	23.01	23.35

(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.

Throughout a typical year, our borrowing requirements fluctuate based on business activity and our need to support working capital levels. The normal cyclical high borrowing level occurs during the third quarter of each year and is provided for by the Revolver mentioned above. Debt levels for the third quarter ending September 2013 and 2012 were $28.0 million and $31.2 million, respectively.

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 and short-term currency contracts. The Company has entered into these arrangements to hedge its exposure to interest rate fluctuations on a portion of its variable rate debt, and to lock in costs for a portion of its foreign-supplied materials.

CAPITAL INVESTMENTS

Capital expenditures totaled $4.3 million and $2.3 million in 2013 and 2012, respectively, compared to a 2013 depreciation expense of $4.6 million. The 2013 capital expenditures include $752 thousand for investment property located adjoining other Lancaster, PA, property. This property was purchased with a 1033 IRS election using a portion of the $1.3 million proceeds generated from the year 2013 sale of property. This sale is reflected in the Statement of Income, the Statement of Cash Flows, and in Note 4. The 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 were adequate and allowed us to provide funding for the following major items: continual upgrades and replacements of equipment at Casting Solutions, LLC (normally in the range of $1 million per year); for equipment and building modifications related to production optimization and quality-related equipment to ensure the standards of the products; and expenditures for machinery, tooling, and pattern costs related to new or redesigned products. Capital expenditures for 2014 are budgeted at approximately $3.6 million. This spending includes expenditures for new machinery to enhance production effectiveness and quality assurance, continual upgrades and replacements to existing processes, building improvements to reduce energy consumption, upgrades to engineering & testing facilities, and the expected capital needs of new products currently under development.

BOARD ACTIONS

On February 27, 2014, the Company announced a quarterly dividend of $0.21 per common share. This would be an annual dividend rate of $0.84 per share, a 5% increase over the $0.80 per share that was paid in 2013 and the third straight year of increased dividends. The annual dividend rate for Preferred stock is $3.00 per share.

At the February 2014 meeting, the Board of Directors authorized the repurchase of 60,000 shares of either class of common stock at market prices during 2014. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. There were 290 shares of common stock repurchased in 2012. There were no shares repurchased in 2013.

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, product performance, raw material costs, and increased competition.

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 costs, 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 and its subsidiaries are self-insured for most of the medical health insurance offered to its employees, limiting their maximum exposure to $200,000 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 began to pay a fixed annual amount that assists this group in purchasing medical and/or prescription drug coverage from providers. Additionally, certain employees electing early retirement have the option of receiving access to an insured defined benefit plan at a yearly stipulated cost or receiving a fixed dollar amount to assist them in covering medical costs. With either option, the Company's yearly cost is capped based on the benefit elected. These obligations are accounted for within the financial statements.

Insurance: The Company and its subsidiaries maintain insurance to cover product liability, general liability, workers' compensation, and property damage. Well-known and reputable insurance carriers provide current coverage. For these policies, which cover periods ending mid-2014, 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 for workers' compensation in Ohio and Pennsylvania (fully insured for workers' compensation in all other states), 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, the Company believes that its insurance policies and associated reserves for product, general, workers' compensation, and property liabilities are reasonable based on the information currently available.

Warranty Litigation, Class Action: In 2010, two of the Company's subsidiaries were served with a class action lawsuit related generally to boiler products manufactured and sold by a predecessor to one of the Company's subsidiaries more than ten years ago. This matter has now been discontinued as a class action and the litigation has been resolved. Total costs to resolve the litigation were lower than reserves established by the Company for this matter.

General 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 or their predecessors. 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. While the large majority of claims have historically been resolved prior to the completion of trial, from time to time some claims may be expected to proceed to a potentially substantial verdict against subsidiaries of the Company. Any such verdict would be subject to appeal, any set-off rights and/or issues involving allocation of liability among various defendants. For example, on July 23, 2013, a New York City State Court jury found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages in cases involving multiple plaintiffs. The subsidiary, whose share of the verdict amounted to $42 million before offsets, has filed post-trial motions seeking to overturn the verdict, granting of a new trial, and /or reduction of the verdict. The Company believes, based upon its understanding of its available insurance policies and discussions with legal counsel, that all pending legal actions and claims, including asbestos, should ultimately be resolved (whether through settlements or verdicts) 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.

Litigation Expense, Settlements, and Defense: The cost of settlements in 2013, 2012 and 2011, for all uninsured litigation of every kind, was $244,000, $219,000, and $409,000, respectively. The 2011 amount included two self-insured asbestos claims, and the 2013 and 2011 amounts each include one 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). Expenses for legal counsel, consultants, etc., in defending these various actions and claims have historically not been material to current year earnings. Such (credits) expenses in 2013, 2012, and 2011 were $(249,000), $256,000, and $811,000, respectively. The credit in 2013 is a reduction in estimated required reserves for actions or claims established in previous years.

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 material permits and expects that all permit applications currently pending will be routinely handled and approved.

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 are required to 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 remedial actions at disposal areas containing waste materials from their operations. In the past five years, the Company has not received any notice that it or its subsidiaries might be responsible for new or additional remedial clean-up actions under government supervision. However, a notice received in December 2007 pertained to an on-site sanitary sewage system at the formerly owned Wendland Manufacturing Corp. facility in San Angelo, Texas. The wastewater discharge matter was resolved in 2008, with final clearance from the local regulatory agency pending. A Company subsidiary (and its insurance carrier) remains responsible for any future costs. A second matter 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.

MANAGEMENT'S REPORT & REPORT OF INDEPENDENT AUDITORS

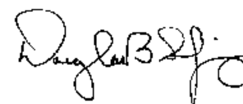
Management is responsible for the preparation as well as the integrity and objectivity of the Burnham Holdings, Inc., financial statements. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include 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 internal audit manager, and the independent auditors 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.

Douglas S. Brossman
President and CEO



Douglas B. Springer
Vice President and CFO

To the Board of Directors of Burnham Holdings, Inc.
We have audited the accompanying consolidated financial statements of Burnham Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ParenteBeard LLC
Lancaster, Pennsylvania
March 3, 2014

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31 (In thousands, except per share data)	
	2013	2012
Net sales	$ 190,181	$ 204,762
Cost of goods sold	145,024	155,510
Gross profit	45,157	49,252
Selling, administrative and general expenses	33,170	35,478
Operating income	11,987	13,774
Other income (expense):		
Gain on sale of property (Note 4)	1,439	170
Non-recurring pension withdrawal liability (Note 10)	(5,000)	—
Mark-to-market	57	143
Interest and investment income	459	278
Interest expense	(1,244)	(1,569)
Other income (expense):	(4,289)	(978)
Income before income taxes	7,698	12,796
Income tax expense	2,384	4,569
NET INCOME	$ 5,314	$ 8,227
BASIC EARNINGS PER SHARE	$ 1.18	$ 1.83
DILUTED EARNINGS PER SHARE	$ 1.18	$ 1.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Years Ended December 31 (In thousands)	
	2013	2012
Components of comprehensive income:		
Net income for the year	$ 5,314	$ 8,227
Other comprehensive income (loss):		
Change in fair value of derivatives, hedges, and investments	390	126
Pension liability adjustment,	9,991	(1,058)
Postretirement medical liability adjustment,	287	215
Other comprehensive income (loss)	10,668	(717)
TOTAL COMPREHENSIVE INCOME	$ 15,982	$ 7,510

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

CONSOLIDATED BALANCE SHEETS

	December 31, (In thousands)	
ASSETS	**2013**	**2012**
CURRENT ASSETS		
Cash and cash equivalents	$ 4,886	$ 4,740
Trade accounts receivable, less allowances (2013 — $294 and 2012 — $472)	21,323	25,966
Inventories:		
Materials, in process and supplies	33,857	33,446
Finished goods	7,459	7,251
Total inventory	41,316	40,697
Prepaid expenses and other current assets	976	865
Current portion of deferred income taxes	3,451	2,493
TOTAL CURRENT ASSETS	71,952	74,761
PROPERTY, PLANT AND EQUIPMENT, net	47,529	47,785
DEFERRED INCOME TAXES	—	3,663
OTHER ASSETS, net	22,319	22,865
TOTAL ASSETS	$ 141,800	$ 149,074

LIABILITIES AND STOCKHOLDERS' EQUITY	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 29,811	$ 28,793
Income taxes payable	2,002	4,948
Current portion of other postretirement liabilities	255	267
Current portion of long-term debt	—	12
TOTAL CURRENT LIABILITIES	32,068	34,020
LONG-TERM DEBT	6,865	7,680
OTHER POSTRETIREMENT LIABILITIES	17,786	38,483
DEFERRED INCOME TAXES	3,482	—
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred Stock	530	530
Class A Common Stock	3,459	3,423
Class B Convertible Common Stock	1,485	1,521
Additional paid-in capital	15,050	14,727
Retained earnings	102,982	101,286
Accumulated other comprehensive income (loss)	(23,966)	(34,634)
Treasury stock, at cost	(17,941)	(17,962)
TOTAL STOCKHOLDERS' EQUITY	81,599	68,891
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 141,800	$ 149,074

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Years Ended December 31, 2013 and 2012 (In thousands, except per share data)							
	Preferred Stock	Class A Common Stock	Class B Convertible Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at Cost	Stockholders' Equity
Balance at January 1, 2012	**$ 530**	**$ 3,403**	**$ 1,523**	**$ 14,508**	**$ 96,303**	**$ (33,917)**	**$(17,958)**	**$ 64,392**
Exercise of stock options:								
18,199 shares of common stock	—	18	—	219	—	—	—	237
Cost of 290 shares of common stock acquired for treasury	—	—	—	—	—	—	(4)	(4)
Conversion of common stock	—	2	(2)	—	—	—	—	—
Cash dividends declared:								
Preferred stock — 6%	—	—	—	—	(18)	—	—	(18)
Common stock — ($0.72 per share)	—	—	—	—	(3,226)	—	—	(3,226)
Net income for the year	—	—	—	—	8,227	—	—	8,227
Change in fair value of derivatives, hedges, and investments, net of $(13) of tax	—	—	—	—	—	126	—	126
Pension liability adjustment, net of $595 of tax	—	—	—	—	—	(1,058)	—	(1,058)
Postretirement medical liability adjustment, net of $(121) of tax	—	—	—	—	—	215	—	215
Balance at December 31, 2012	**$ 530**	**$ 3,423**	**$ 1,521**	**$ 14,727**	**$101,286**	**$ (34,634)**	**$ (17,962)**	**$ 68,891**
Exercise of stock options:								
20,999 shares of common stock	—	—	—	323	—	—	21	344
Conversion of common stock	—	36	(36)	—	—	—	—	—
Cash dividends declared:								
Preferred stock — 6%	—	—	—	—	(18)	—	—	(18)
Common stock — ($0.80 per share)	—	—	—	—	(3,600)	—	—	(3,600)
Net income for the year	—	—	—	—	5,314	—	—	5,314
Change in fair value of derivatives, hedges, and investments, net of $(277) of tax	—	—	—	—	—	390	—	390
Pension liability adjustment, net of $(5,620) of tax	—	—	—	—	—	9,991	—	9,991
Postretirement medical liability adjustment, net of $(162) of tax	—	—	—	—	—	287	—	287
Balance at December 31, 2013	**$ 530**	**$ 3,459**	**$ 1,485**	**$ 15,050**	**$ 102,982**	**$ (23,966)**	**$ (17,941)**	**$ 81,599**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31 (In thousands)	
	2013	2012
OPERATING ACTIVITIES		
Net income	$ 5,314	$ 8,227
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property (Note 4)	(1,439)	(170)
Non-recurring pension withdrawal liability (Note 10)	5,000	—
Depreciation and amortization	4,643	4,659
Deferred income taxes	(58)	24
Pension expense	1,043	1,096
Postretirement liabilities	415	449
Reserves and other allowances	484	(307)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	4,821	(4,240)
(Increase) decrease in inventories	(619)	688
(Increase) decrease in prepaid expenses and other current assets	(111)	38
Contributions to pension trust	(5,511)	(3,350)
(Decrease) increase in accounts payable and accrued expenses	(4,556)	2,951
(Decrease) increase in income taxes payable	(2,946)	3,934
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,480	13,999
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,336)	(2,274)
Purchase of other assets	(14)	(15)
Proceeds from sale of assets and property, net (Note 4)	1,302	—
NET CASH USED IN INVESTING ACTIVITIES	(3,048)	(2,289)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	344	237
Principal payments on long-term debt and capital lease obligations	(12)	(8,448)
Purchase of treasury stock	—	(4)
Dividends paid	(3,618)	(3,244)
NET CASH USED IN FINANCING ACTIVITIES	(3,286)	(11,459)
INCREASE IN CASH AND CASH EQUIVALENTS	146	251
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,740	4,489
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,886	$ 4,740

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 a group of subsidiaries whom are leading domestic manufacturers 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 75% of the total year 2013 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's subsidiaries also market many of their products internationally, working in conjunction with selected independent sales representatives worldwide. International sales, which include Canada and Mexico, for the years 2013 and 2012, amounted to 2.0% and 1.7%, respectively, of reported net revenues. Sales to the ten largest customers amounted to $75,900 and $79,400 in 2013 and 2012, 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 Bulletins on this topic, which summarize certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements and provide 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 are 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	2013	2012
Balance at January 1	$ 472	$ 361
Net (Reversals) Accruals for Accounts	(170)	123
Credit Losses	(8)	(12)
Balance at December 31	$ 294	$ 472

Shipping and Handling Costs: The subsidiaries charge 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, 2013 and 2012, these gross receiving and shipping costs were $7,700 and $7,771, 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 by $1,142 and $871 at December 31, 2013 and 2012, respectively; the Company has not experienced any losses. Additionally, and reported as part of cash were investments in short-term, liquid assets whose balances are based on current market values. The total of these investments were $3,038 and $3,094 at December 31, 2013 and 2012, respectively.

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, 2013 and 2012, 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 $1,665 and $951 were included in accounts payable as of December 31, 2013 and 2012, respectively.

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 has adopted FVM, and the financials conform to the statement.

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 Company's specific Level 2 FVM for its interest rate swaps has been derived from proprietary models of a third-party financial institution holding these instruments. This analysis reflects the contractual terms of the swaps, including the period to maturity, and uses observable market-based inputs. The Company's level 2 liability (payable) for its interest rate swaps carried at fair value as of December 31, 2013 and 2012 was $1,601 and $2,428, respectively.

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 has elected not to measure any additional financial instruments and other items at fair value.

The estimated fair values of accounts receivable and accounts payable approximates their carrying values at December 31, 2013 and 2012, due to their short-term nature. 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 and is classified as level 2 within the fair value hierarchy. 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 6.

Inventories: Inventories are valued at the lower of cost or market, and 85% of the inventories are valued using the last-in, first-out method. If the subsidiaries had used the first-in, first-out method of inventory accounting, inventories would have been $19,949 and $19,540 higher than reported at December 31, 2013 and 2012, respectively.

The subsidiaries periodically review their inventories and make 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 2013 and 2012, 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 the cost of 2013 and 2012 purchases, the effect of which decreased cost of goods sold by approximately $168 and $325 at December 31, 2013 and 2012, respectively. These changes increased profits in 2013 by approximately $116 or $0.03 per share and in 2012 by approximately $211 or $0.05 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, 2013 or 2012, 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 2013 and 2012 was $4,593 and $4,611, 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, 2013 and 2012. Other intangible assets (primarily customer lists, non-compete agreements, and patents and trademarks) within this line item amount to $101 and $132 in 2013 and 2012, respectively, net of accumulated amortization of $3,598 and $3,563 in 2013 and 2012, respectively, and are being amortized over 3 to 20 years using the straight-line method. Total amortization expense was $50 and $48 for the years ending 2013 and 2012, respectively. Future amortization expense is expected to be: $19 – 2014, $14 – 2015, $14 – 2016, $14 – 2017, $14 – 2018, and $26 – 2019 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, 2013 and 2012.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Consolidated Earnings Per Share ("EPS"): For the years ended December 31, 2013 and 2012, basic and diluted earnings per share are computed as follows:

For the Year Ended 2013	Net Income	Weighted Average Shares*
Income	$ 5,314	
Less Preferred Stock Dividends	(18)	
Income Available to Common Stockholders	$ 5,296	4,498
Basic Earnings Per Share	$ 1.18	
Dilutive Options		10
Diluted Earnings Per Share	$ 1.18	4,508

For the Year Ended 2012	Net Income	Weighted Average Shares*
Income	$ 8,227	
Less Preferred Stock Dividends	(18)	
Income Available to Common Stockholders	$ 8,209	4,477
Basic Earnings Per Share	$ 1.83	
Dilutive Options		13
Diluted Earnings Per Share	$ 1.83	4,490

*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 2013 and 2012, diluted earnings per share were determined on the assumption that rights outstanding under the Company's Incentive and Non-Qualified Stock Option and Stock Appreciation Rights Plans (see Note 9) will be settled in the form of stock, as settlement in stock is more dilutive. In 2013 and 2012, 105,443 and 368,700 options, respectively, were excluded from the dilutive earnings per share calculation because of being anti-dilutive.

Accumulated Other Comprehensive Income (Loss) ("AOCI"): This is a subsection of Stockholders' Equity that includes changes in fair value of interest rate swap instruments, currency hedges, and investments, and changes in post-retirement benefit obligations, net of income taxes. These changes have no direct bearing on the core manufacturing or financial strength of the Company. As of December 31, 2013, the account consisted of $21,673 related to pension liabilities, $1,193 related to post-retirement medical liabilities, $1,024 related to interest rate swap instruments and currency hedges, and a $76 unrealized loss related to investments. As of December 31, 2012, the account consisted of $31,663 related to pension liabilities, $1,480 related to post-retirement medical liabilities, $1,517 related to interest rate swap instruments and currency hedges, and a $(26) unrealized gain related to investments. The primary factor impacting balances in AOCI are changes to interest rates and related impacts to the discount rates used for post-retirement benefit obligations.

Recent Accounting Pronouncements: In December 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-12 "Definition of a Public Business Entity." The update provides a single definition of public business entity for use in future financial accounting guidance. The amendment does not affect existing requirements. Based on the guidance, the Company is considered a public business entity for future financial accounting guidance. The amendment did not have any impact on the Company's financial statements in 2013.

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 product quality, law changes, 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 and its subsidiaries use a combination of self-insurance and externally purchased insurance policies to provide coverage for their employees. In those states where the Company and its subsidiaries are 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.

Product Requirements and Warranty: The Company's subsidiaries manufacture high-value, high-quality products known for their reliability and longevity. These products are designed and manufactured to meet the stated performance requirements upon their installation. The 2013 accrual was increased based on several subsidiaries forecasts to address a group of related product matters. Additionally, 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 subsidiary based on its warranty policy and historical experience. The Company and its subsidiaries are not insured for warranty claims.

Product Warranty	2013	2012
Balance at January 1	$ 1,891	$ 1,744
Accruals Related to Product Warranties	2,002	1,229
Settlements Made (in cash or in kind)	(980)	(1,082)
Balance at December 31	$ 2,913	$ 1,891

4. SALE OF PROPERTY

On July 23, 2013, a subsidiary of the Company sold a portion of its property located in Lancaster, PA. The total sales price of this property was $1.35 million. The book value of this property plus expenses of sale was $76 thousand, resulting in a total book gain of $1.274 million.

On September 28 and December 13, 2010, subsidiaries of Burnham Holdings sold investment properties located in Lancaster, PA. The total sales price of these properties was $11.8 million. The book value of these properties plus expenses of sale was $6.3 million, resulting in total book gains of $5.5 million. A portion of this gain, $788,000, will be recognized over five years as required by accounting guidance related to sale/leaseback rules. In 2013 and 2012, $165 and $170, respectively, was recognized of this deferred gain.

These gains have been tax deferred as 1031/1033 Like Kind Exchange transactions for Federal and State tax matters because the proceeds were, or will be, used in the purchase of other similar property.

5. PROPERTY, PLANT AND EQUIPMENT

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

December 31	2013	2012
Land and Land Improvements	$ 6,583	$ 5,712
Buildings and Improvements	33,809	33,369
Machinery and Equipment	95,991	93,884
Total Property, Plant and Equipment	136,383	132,965
Accumulated Depreciation	(88,854)	(85,180)
Net Property, Plant and Equipment	$ 47,529	$ 47,785

There is no equipment under capital lease at December 31, 2013 or 2012. Future minimum payments, by year and in the aggregate, under non-cancelable operating leases as of December 31, 2013, are: $1,526 – 2014; $699 – 2015; $291 – 2016; $284 – 2017; and $482 – 2018 and thereafter.

For 2013 and 2012, external rental expense for property (principally warehouse space) that was included in operating expenses totaled $1,495 and $1,479, respectively. A subsidiary has entered into a long-term lease with the owner (a past employee). Lease expense of $346 and $338 are included in operating expenses for 2013 and 2012, respectively.

6. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

December 31	2013	2012
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
Fair Value of Swaps	1,601	2,428
Total Long-term Debt	6,865	7,692
Less Current Portion	—	12
Long-term Debt	$ 6,865	$ 7,680

Long-term borrowings: The Company has a loan agreement (the "Revolver") financed through a consortium of three banks totaling $72 million (primarily used for working capital needs), and three additional agreements (the "LOC") totaling $5.5 million for other specific bank services. Under these agreements, the Revolver and the LOC are due in full May of each year, except that yearly extensions of this date are to be considered on the anniversary date of the agreements. In May of 2013, these agreements were extended until August 1, 2015. 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, 2013, be at least $107,000 using the first-in, first-out ("FIFO") method of inventory valuation and excluding non-cash adjustments to AOCI. Stockholders' Equity on December 31, 2013, was $125,514 on this basis ($81,599 reported in the financial statements). The Revolver and LOC also require that certain ratios be maintained including a debt service ratio and a leverage ratio as defined in the agreements. As of December 31, 2013 and 2012, the Company was in compliance with all covenants. Interest rates as of December 31, 2013 and 2012, were 1.57% and 1.61%, respectively. The rates were equal to LIBOR plus a margin rate as determined by the ratio of funded debt to 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 the Revolver is due monthly.

On November 9, 2004, two Industrial Revenue Bonds, a $4 million fixed rate bond and a $264 thousand variable rate bond, were signed with a lending institution to finance the acquisition and subsequent renovations and equipment purchases at the Norwood, North Carolina, 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 (0.74% and 0.81% at year-end December 31, 2013 and 2012, 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, a $1,000 Industrial Revenue Bond was signed 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: $0 – 2014 and 2015; $1,264 – 2016; $0 – 2017; $1,601 – 2018; and $4,000 – 2019.

Total interest incurred in 2013 and 2012 was $1,244 and $1,569, respectively. Interest paid during 2013 and 2012 was $1,270 and $1,559, 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, and a termination date of January 5, 2018, two interest rate swap agreements were entered into to hedge 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, interest at a fixed rate of 4.11% and 3.52%, respectively, will be paid to the counterparty on the notional amount of the swaps. The counterparty will pay interest at a variable rate equal to the 30-day LIBOR rate (0.17% at December 31, 2013). The obligation under the swaps has been collateralized as part of the Revolver discussed above under Long-term borrowings. The swaps are accounted for 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. Additional expense incurred related to the swap agreements in 2013 was $558.

On July 27, 2007, with an effective beginning date of January 7, 2008, and a termination date of January 7, 2013, an interest rate swap agreement was entered into to hedge exposure to interest rate fluctuations on $15 million of its outstanding long-term debt. The notional amount of this swap ($13,390 at December 31, 2012) was

equal to $15 million less the approximate notional amount of the two original swap agreements mentioned below. Under this agreement, the counterparty was paid interest at a fixed rate of 5.46% on the notional amount of the swap. The counterparty paid interest at a variable rate equal to the 30-day LIBOR rate (0.22% at December 31, 2012). Under the terms of this agreement, the notional amount of the swap increased equal to the decreases in the original swaps. The obligation under the swap was collateralized as part of the Revolver discussed above under Long-term borrowings. The swap was accounted for as a cash flow hedge. Accordingly, the change in the fair value of the swap was included in other comprehensive income, a separate component of stockholders' equity. Additional expense incurred related to the swap agreement in 2013 and 2012 was $14 and $674, respectively.

On March 5, 2004 (agreement expires January 5, 2014), an interest rate swap agreement was entered into to hedge exposure to interest rate fluctuations on a $6,400 term line of credit. Under this agreement, the counterparty will be paid interest at a fixed rate of 5.88% on the notional amount of the swap. The counterparty will pay interest at a variable rate equal to the 90-day LIBOR rate (0.24% and 0.31% at December 31, 2013 and 2012, respectively). Under the terms of this agreement, the notional amount of the swap decreases quarterly ($290 and $1,610 at December 31, 2013 and 2012, respectively). The obligation under the swap has been collateralized as part of the Revolver discussed above under Long-term borrowings. The 2013 and 2012 fair value was reflected in the balance sheet as a liability. The 2013 and 2012 statements of operations reflect the change in fair value as mark-to-market interest income. Interest income and expense related to the swap 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 2013 and 2012 was $58 and $126, respectively. Additional income recognized related to the change in fair value of the swap arrangement in 2013 and 2012 was $57 and $143, respectively.

The following table presents the interest rate swap agreements:

	Notional Amount	Liability	Fair Value Change	Income (Expense) Impact to AOCI (3)
December 31, 2013				
1)	$ 10,000	$ (1,146)	$ 524	$ 336
1)	5,000	(455)	233	149
	—	—	12	7
1)	290	—	58	—
December 31, 2012				
1)	$ 10,000	$ (1,670)	$ (407)	$ (261)
1)	5,000	(688)	(201)	(128)
2)	13,390	(12)	644	412
1)	1,610	(58)	143	—

1) Reflected within long-term debt on the balance sheet
2) Reflected within current portion of long-term debt on the balance sheet
3) Net fair value change after tax effect

7. INCOME TAXES

The provision for income taxes consists of:

For the Year Ended December 31	2013	2012
Current:		
Federal	$ 1,694	$ 3,431
State	748	1,114
Total Current	2,442	4,545
Deferred:		
Federal	(53)	22
State	(5)	2
Total Deferred	(58)	24
Total Income Tax Expense	$ 2,384	$ 4,569
Income Taxes Paid	$ 4,457	$ 502

The Company's effective tax rate for 2013 is lower than the federal statutory rate. In January of 2013, Congress approved new federal tax legislation including extending 2012 credits for research and development. As a result of the laws not being passed until 2013, tax filers cannot claim this deduction until they file their 2013 return, which will include credits for 2012 and 2013 development. The lower tax rate is a result of the two years federal credit for research and development, the federal tax benefit of domestic manufacturing deductions and exempt income, which more than fully offset state income taxes.

The Company's effective tax rate for 2012 is higher than the federal statutory rate as the federal tax benefit of domestic manufacturing deductions and exempt income do not fully offset state income taxes. In previous years, federal research and development credits have been claimed to assist with offsetting state income taxes as explained above for 2013.

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

December 31	2013	2012
Current Deferred Taxes:		
Gross Assets	$ 4,799	$ 3,319
Gross Liabilities	(1,348)	(826)
Net current Deferred Tax Assets	3,451	2,493
Non-current deferred Taxes:		
Gross Assets	6,421	13,380
Gross Liabilities	(9,522)	(9,256)
Valuation Allowance	(381)	(461)
Net Non-current Deferred Tax (Liability) Asset	(3,482)	3,663
Net Deferred Tax (Liability) Asset	$ (31)	$ 6,156

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

December 31	2013	2012
Depreciation	$ (9,884)	$ (10,000)
Vacation	823	835
Employee Benefits	750	864
Workers' Compensation	152	208
Pension	4,038	10,816
Inventory	(744)	(71)
Warranty	1,143	872
Fair Value of Swap	576	874
Other	3,115	1,758
Net Deferred (Liability) Tax Asset	$ (31)	$ 6,156

The Company adopted financial accounting standards related to accounting for uncertainty in income taxes on January 1, 2007. A reconcilement of the beginning and ending amount of unrecognized tax benefits is as follows:

For the Year Ended December 31	2013	2012
Balance at January 1	$ 484	$ 442
Gross Increases for Current Year Tax Positions	104	42
Gross Settlements	(405)	—
Lapse of Statute of Limitations	—	—
Balance at December 31	$ 183	$ 484

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2013 and 2012, we have approximately $20 and $302 of accrued interest and penalties related to uncertain tax positions, respectively.

The total amount of unrecognized tax benefits that would affect our effective tax rate if recognized is $183 and $484 as of December 31, 2013 and 2012, respectively. The tax years 2010 to 2013 remain open to examination by major taxing jurisdictions to which we are subject.

8. 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 shares in Treasury Stock at December 31, 2013 and 2012.

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 shares outstanding were as follows:

December 31	2013	2012
Class A Stock Issue	3,459,443	3,422,900
Treasury Shares	(437,393)	(458,392)
Class A Stock Outstanding	3,022,050	2,964,508
Class B Stock Outstanding	1,484,768	1,521,311
Total Stock Outstanding	4,506,818	4,485,819

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.

9. STOCK COMPENSATION PLAN

The Company maintains a stock-based incentive compensation plan ("the 2013 Plan"), approved by stockholders on April 22, 2013, for key employees, including officers and directors. The 2013 Plan replaces the Company's 1982 Incentive and Non-Qualified Stock Option Plan and a Stock Appreciation Rights Plan (as amended through the April 2013 date), which was set to expire in 2014. This latter plan has vested remaining awards that will be exercised or expire over the next nine years (last grant expires on May 14, 2022). The adoption of the 2013 Plan as the new governing document for future stock-based incentive compensation awards was intended to update the legal provisions applicable to the Company's stock awards to reflect legal developments. The 2013 Plan gives the Board of Directors the ability to grant restricted stock awards ("Restricted Shares"), and other similar awards, in addition to stock options ("Options") and stock appreciation rights ("Rights"), on terms and conditions set forth in the 2013 Plan. The 2013 Plan also increased the aggregate number of shares of the Company's stock that may be delivered pursuant to awards to be granted under the 2013 Plan to the sum of (A) 350,000 plus (B) the number of shares available as of April 22, 2013 and as subsequently would have become available pursuant to the 1982 Plan, were such plan not terminated in connection with the adoption of this 2013 Plan (200,884 shares). Out of that sum, the aggregate number of shares that may be delivered pursuant to awards other than stock options, stock appreciation rights, and other similar awards, such as for example, restricted stock awards is limited to 225,000 shares of stock.

In general, Restricted Shares involve the delivery to participants of shares of stock that are subject to forfeiture conditions, such as continued employment or achievement of performance objectives. Deferred share awards are promises to deliver shares of stock, or cash based on the value of shares of stock, in the future, subject to specified conditions. Options, qualified or non-qualified, 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. Holders of Rights, on exercise, receive the excess of the fair market value of the common stock over the grant price in cash, common stock or a combination thereof at the election of the Board of Directors. Shares issued under these plans can be either new, previously un-issued shares, or treasury shares.

In May 2013, the first 9,628 Restricted Shares were granted to participants at a market price of $18.03. These shares vest in annual installments of 33 1/3%, commencing one year after the date of grant (subject to forfeiture conditions) and are expensed on a straight-line basis over the three years based on the fair market value of the Company's stock at date of grant.

Currently outstanding 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. Additionally, while not required by the plans, these Rights and Options were 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 expense related to the Company's share-based awards recorded for the years ended December 31, 2013 and 2012 were $635 and $231, respectively.

The significant weighted average assumptions related to Options and Rights were as follows:

For the Year Ended December 31	2013	2012
Dividend Yield	4.5%	4.5%
Volatility Rate	19.0%	19.0%
Risk-free Interest Rate	4.2%	3.9%
Expected Option Life (years)	7.0	7.0

Transactions for 2013 and 2012 are as follows:

	2013		2012	
Options & Rights Awards	Weighted Average Exercise Shares	Exercise Price	Weighted Average Exercise Shares	Exercise Price
Outstanding January 1	486,744	$ 17.78	472,051	$ 17.53
Granted	34,800	18.03	63,200	15.88
Exercised	(206,277)	14.52	(33,211)	10.46
Lapsed	(109,134)	24.13	(15,296)	18.27
Outstanding December 31	206,133	$ 17.83	486,744	$ 17.78
Exercisable December 31	115,429	$18.88	381,380	$ 18.44
Available for Grant at December 31	615,590		200,884	
Restricted Stock Granted	9,628	$ 18.03	n/a	n/a

Options and Rights outstanding and exercisable at December 31, 2013, have exercise prices between $27.78 and $8.20. The weighted-average remaining contractual life of Options and Rights outstanding was 5.94 years and Options and Rights exercisable was 3.84 years.

10. RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT ARRANGEMENTS

Defined Benefit and Other Postretirement Benefit Programs: The Company maintains a non-contributory defined benefit pension plan ("the Plan") with substantial assets and liabilities. As required by current pension accounting standards, any excess or shortfall between the market value of the assets and liabilities of the Plan, are recorded on the balance sheet. The Plan covers non-union employees hired before June 5, 2003, with final benefit accruals for non-union employees ending in 2006 and 2009 (based on age and service). The Plan also covers union employees, and during collective bargaining negotiations after 2004, the unions agreed that newly hired union employees would no longer have access to the Plan. There remains a limited, closed group of union employees still accruing benefits under the Plan.

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. The Company may, from time to time, also make voluntary 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, 2012, the Company did not have a minimum contribution required for 2013. However, in 2013, the Company made a pre-tax contribution of $5.511 million into the Plan. In 2012, the Company made non-required pre-tax contributions of $3.35 million. Minimum contributions for 2014 are undeterminable at this time, but will be based on actuarial certifications to be received by August 2014 that are governed by the Pension Protection Act of 2006 ("PPA"). The Company believes minimum required contributions, if any, will not be material.

Company subsidiaries are also part of two separate union-sponsored multiemployer-defined benefit pension plans that cover all Bryan Steam, LLC (see separate paragraph below), and Lancaster Metal Manufacturing, Inc., collective bargaining employees. These plans are not administered by the subsidiaries, and the provisions of the negotiated labor agreement determine contributions. The Company's contributions do not represent 5% of either of the plan's total contributions for either of the years 2013 or 2012. The risks of participating in these multi-employer plans are different from single-employer plans in that assets contributed by one employer are not specifically segregated to its covered employees, unfunded obligations of the plan may be borne by all participants, and the liability to withdraw from the plan may be determined based on the funded status of the plan. Participation in these plans is outlined as follows and is based on Company information or information received from the certified annual reports of the plans:

Pension Plan	EIN/Plan Number	Plan Funded Status[1]		Company Contributions	
		2013	2012	2013	2012
Steelworkers Pension Trust	**23-6648508-499**	81.8%	84.4%	$ 71	$ 79
Boilermaker-Blacksmith National Pension Trust	**48-6168020**	75.0%	79.6%	$ 271[2]	$ 620

(1) Both plans are valued as of January 1 of the preceding year, with the 2012 information being the most recently available.
(2) The Boilermaker-Blacksmith contribution was for the period of January 1st to June 18, 2013.

The Steelworkers Pension Trust was considered "Safe" for 2013 per the Pension Protection Act of 2006 because of the 2012 funded status being over 80%.

The Boilermaker-Blacksmith National Pension Trust was considered "Endangered" for 2013 as a result of its 2012 funded status being less than 80%. This plan adopted a Funding Improvement Plan in 2010 that projected it would reach improved funding levels by the year 2022, the end of the improvement period. Increases in contribution levels are included in the Company contribution amounts disclosed above. As announced in a June 19, 2013 press release and in quarterly earnings results, Bryan Steam, LLC recorded a non-recurring charge of $5.0 million relating to a new union agreement at the subsidiary, which resulted in Bryan Steam, LLC withdrawing from the plan ("Pension Charge") thus ending benefit accrual. The Pension Charge is included in the "Other income (expense)" section of the Statement of Income and is the Company's best estimate of this liability at this time. This one-time, non-manufacturing charge, while material to the current year results, is not material to the balance sheet. The Pension Charge will eliminate all future contributions to the underfunded, multi-employer Boilermaker-Blacksmith National Pension Trust and should position Bryan Steam, LLC to be more cost competitive in the aggressive commercial market, while also lowering future risk to the Burnham Holdings shareholders through the elimination of this liability.

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 gains associated with holding these securities, $360 and $235 in 2013 and 2012, respectively, has been recognized in the Company's earnings as part of interest and investment income 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 $2,426 and $2,940 at December 31, 2013 and 2012, respectively. Adjustments to this liability caused by changes in the value of the marketable securities, gains of $360 and $235 in 2013 and 2012, 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. Additionally, employees electing early retirement have the option of receiving access to an insured defined benefit plan at a yearly stipulated cost or receiving a fixed dollar amount to assist them in covering medical costs. With either option, the Company's yearly cost is capped based on the benefit elected. 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, 2013, pension trust assets were $143,660 and the pension liability was $156,976, with the shortfall of $13,316 being recorded as a liability on the balance sheet. The shortfall decreased substantially in 2013 from the prior year because of assumption changes related to the discount rate (the rate was raised to 4.50%) and favorable market returns on Plan assets. Included in AOCI at December 31, 2013, are the following before-tax amounts that have not yet been recognized in net periodic postretirement benefit costs: unrecognized net actuarial loss of $33,804 and $1,620 for the Plan and postretirement medical benefits, respectively, amortization losses for upcoming fiscal year of $1,775 and $199 for the Plan and postretirement medical benefits, respectively, and unrecognized prior service costs of $59 and $244 for the Plan and postretirement medical benefits, respectively.

At December 31, 2012, pension trust assets were $137,458 and the pension liability was $170,853, with the shortfall of $33,395 being recorded as a liability on the balance sheet. The pension liability increased in 2012 from the prior year mainly because of assumption changes related to the discount rate (the rate was lowered to 3.75%, the lowest rate in modern history). Included in AOCI at December 31, 2012, are the following before-tax amounts that have not yet been recognized in net periodic postretirement benefit costs: unrecognized net actuarial loss of $49,313 and $1,992 for the Plan and postretirement medical benefits, respectively, amortization losses for upcoming fiscal year of $2,580 and $195 for the Plan and postretirement medical benefits, and unrecognized prior service costs of $161 and $320 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, 2013 and 2012:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Projected Benefit Obligation	$ (156,976)	$ (170,853)	$ (2,299)	$ (2,415)
Fair Value of Plan Assets	143,660	137,458	—	—
Funded Status	$ (13,316)	$ (33,395)	$ (2,299)	$ (2,415)
Benefit Liability Recognized in the Consolidated Balance Sheet at December 31	$ (13,316)	$ (33,395)	$ (2,299)	$ (2,415)
Accumulated Benefit Obligation	$ 155,056	$ 168,565		

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, 2013 and 2012. 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 allocation of assets between equities (or equity type investments) and bonds is rebalanced periodically on a moving scale based on the funded level of the Plan. At December 31, 2013, the asset allocation was approximately 38% equity, 60% fixed income, and 2% alternative investments. The asset allocation strategy, as approved by the Employee Benefits Committee, is that the assets of the trust fund are to be allocated based upon an analysis of the funding adequacy, cash flow requirements, maturity level, and participant growth rate of the Plan. The investment alternatives available in each of the capital markets are to be analyzed based on the risk tolerance indicated by the Plan's unique characteristics.

The following table presents pension plan assets carried at fair value (as discussed in Note 2—Fair Value Measurements ["FVM"]) as measured on a recurring basis as of December 31, 2013 and 2012:

	Carrying Value	Level 1	Level 2	Level 3
December 31, 2013				
Mutual Funds				
Fixed Income	$ 39,607	$ 39,607	$ —	$ —
Domestic Stock	16,897	16,897	—	—
Common Collective Trust Funds:				
U.S. Equity	18,334	—	18,334	—
Interest Rate Management	44,910	—	44,910	—
Other	23,912	9,103	12,001	2,808
December 31, 2012				
Mutual Funds				
Fixed Income	$ 37,437	$ 37,437	$ —	$ —
Domestic Stock	16,914	16,914	—	—
Common Collective Trust Funds:				
U.S. Equity	20,048	—	20,048	—
Interest Rate Management	42,932	—	42,932	—
Other	20,127	8,344	9,316	2,467

The Company's specific Level 3 FVM for its Plan assets has been recorded at the fair value as determined by the Trustees of these funds with assistance from valuation consultants based on certain fund defined policies and procedures. Level 3 investments increased by $341 and $147 at December 31, 2013 and 2012, respectively, primarily caused by realized and unrealized gains related to instruments still held at the reporting date.

In 2013 and 2012 there were no Plan amendments. Weighted-average assumptions used to determine benefit obligations as of December 31 were:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Discount Rates	4.50%	3.75%	4.50%	3.75%

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31 were:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Discount Rates	3.75%	4.25%	3.75%	4.25%
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% for both 2013 and 2012.

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.

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	
	2013	2012	2013	2012
Benefit Cost	$ 1,043	$ 1,096	$ 415	$ 449
Employer Contributions	5,511	3,350	83	256
Participant Contributions	—	—	142	125
Benefits Paid	7,405	7,200	225	381

The following pension benefit payments, which reflect expected future service and salary, as appropriate, are expected to be paid: $7,957 – 2014; $8,226 – 2015; $8,628 – 2016; $9,108 – 2017; $9,446 – 2018; and $51,676 – 2019 to 2023.

The following postretirement medical benefit payments, net of plan participants' contributions, are expected to be paid: $255 – 2014; $234 – 2015; $234 – 2016; $244 – 2017; $247 – 2018; and $938 – 2019 to 2023.

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 $457 and $448 in 2013 and 2012, respectively.

The Company maintains a second Employee Savings Plan for 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 collective bargaining agreements negotiated after 2004, new union employees (who are not eligible for the defined benefit pension plan) are eligible to receive a contribution based on their personal savings percentage. In 2013, effective with the new Bryan Steam, LLC contract which eliminated the multi-employer defined pension plan (discussed previously), Bryan Steam, LLC union employees began receiving employer contributions within this plan based on wages earned. For all other employees covered by collective bargaining agreements, the Company does not contribute to the plan. The contributions charged against income for this plan were $108 and $84 in 2013 and 2012, respectively.

11. 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 described in Note 6 as part of the LOC. In the normal course of business, this amount is less than $2,500, and at December 31, 2013 and 2012, the amount outstanding for both years was $1,875.

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 or their predecessors. 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. While the large majority of claims have historically been resolved prior to the completion of trial, from time to time some claims may be expected to proceed to a potentially substantial verdict against subsidiaries of the Company. Any such verdict would be subject to appeal, any set-off rights and/or issues involving allocation of liability among various defendants. For example, on July 23, 2013, a New York City State Court jury found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages in cases involving multiple plaintiffs. The subsidiary, whose share of the verdict amounted to $42 million before offsets, has filed post-trial motions seeking to overturn the verdict, granting of a new trial, and/or reduction of the verdict. The Company believes, based upon its understanding of its available insurance policies and discussions with legal counsel, that all pending legal actions and claims, including asbestos, should ultimately be resolved (whether through settlements or verdicts) 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 Company has evaluated subsequent events (events that occur after December 31, 2013) through March 3, 2014, which represents the date the financial statements were available to be issued. All required events have been recorded or disclosed in the Company's financial statements.

TEN-YEAR SUMMARY (IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Sales	$ 251,747	$ 238,768	$ 218,127	$ 224,677	$ 225,805	$ 183,678	$ 189,707	$ 198,842	$ 204,762	$ 190,181
Income (Loss) Before Income Taxes	15,409	5,208	(3,932)	8,629	9,068	8,346	9,733	7,656	12,796	7,698
Income Tax Expense (Benefit)	5,778	1,865	(1,599)	3,106	3,264	3,007	3,524	2,573	4,569	2,384
Net Income (Loss)	9,631	3,343	(2,333)	5,523	5,804	5,339	6,209	5,083	8,227	5,314
Basic Earnings (Loss) per Share of Common Stock	2.17	0.75	(0.53)	1.24	1.30	1.20	1.39	1.13	1.83	1.18
Cash Flow per Share of Common Stock	3.37	1.95	0.66	2.43	2.44	2.25	2.38	2.11	2.88	2.21
Net Cash Provided By Operating Activities	5,972	9,572	11,239	9,638	5,681	14,360	12,388	6,498	13,999	6,480
Total Dividends Paid	4,985	5,185	4,114	3,046	3,046	3,046	3,047	3,055	3,244	3,618
Dividends per Share of Common Stock	1.12	1.16	0.92	0.68	0.68	0.68	0.68	0.68	0.72	0.80
Net Book Value of Plant and Equipment	53,616	53,602	51,427	49,499	48,202	45,720	50,001	50,122	47,785	47,529
Purchases of Property, Plant and Equipment	7,277	5,079	2,823	3,047	3,552	2,056	15,666	4,412	2,274	4,336
Charges for Depreciation and Amortization	5,310	5,357	5,251	5,311	5,041	4,673	4,389	4,355	4,659	4,643
Current Assets	89,291	84,322	77,088	78,976	82,487	69,564	67,940	71,051	74,761	71,952
Current Liabilities	40,215	40,663	40,199	29,717	30,558	23,401	27,425	27,496	34,020	32,068
Working Capital	49,076	43,659	36,889	49,259	51,929	46,163	40,515	43,555	40,741	39,884
Total Debt	37,573	34,902	31,361	28,417	29,460	20,275	14,143	16,320	7,692	6,865
Net Worth	93,199	91,788	81,191	90,613	71,769	73,509	73,940	64,392	68,891	81,599
Book Value per Share of Common Stock	20.90	20.55	18.17	20.28	16.05	16.44	16.52	14.34	15.29	18.04
Proforma Book Value per Share of Common Stock *	20.90	20.61	19.16	19.66	20.28	20.80	21.50	21.93	23.01	23.35
Outstanding Shares of Common Stock**	4,444	4,451	4,452	4,452	4,452	4,452	4,456	4,468	4,486	4,507

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.

INVESTOR & STOCKHOLDER INFORMATION

REPORTING REQUIREMENTS

Burnham Holdings, Inc., is not currently required to register with the SEC (Securities and Exchange Commission) and therefore is not subject to the reporting requirements of an SEC regulated 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, 2013. 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, raw material costs, litigation, customer preferences, general economic conditions, technology, and product performance; and increased competition.

BUSINESS STRATEGY

Subsidiaries of Burnham Holdings, Inc., provide high-value, high-quality, HVAC products backed by superior service. This diverse product mix meets the various needs of most residential, commercial, and institutional applications. For our stakeholders, this diversification, combined with the critical need for thermal solutions, ensures consistent financial performance through fluctuating economic cycles. That's how Burnham Holdings provides consistent returns: We're creating value in established market segments driven by a constant replacement cycle.

Our strong earnings and dividend history, proven management team, diverse product mix, and continuing product demand represent an outstanding opportunity for stakeholders. Burnham Holdings is a unique investment opportunity that creates stable value while delivering solid returns.

Burnham Holdings, Inc., has also grown and will continue to grow through acquisitions. 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 ten members, nine 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. 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 additional Board committee meetings and special meetings held 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' purposes, goals, and responsibilities. All committees meet on a scheduled basis. Please refer to the proxy for more information on corporate governance, executive compensation, and security holders.

INVESTOR AND STOCKHOLDER INFORMATION

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 OTC Markets Group, 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.otcmarkets.com.

Annual Meeting

The Company's Annual Meeting is scheduled for 11:30 a.m. on Monday, April 28, 2014, to be held at the Eden Resort and Suites in Lancaster, PA.

Corporate Data

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

For further information, contact Elisa Ranck, Financial Services Administrator, or Douglas B. Springer, Vice President and Chief Financial Officer.

Telephone: (717) 390-7800,
Fax: (717) 390-7852

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

DIRECTORS & OFFICERS

Robert P. Newcomer; George W. Hodges; John W. Lyman; Eleanor B. Drew; William F. Dodge; Elizabeth H. McMullan; Thomas C. Kile; Douglas S. Brossman; Philmer H. Rohrbaugh; Albert Morrison III (Chairman)

AUDIT COMMITTEE

Eleanor B. Drew
George W. Hodges
Thomas C. Kile
John W. Lyman
Albert Morrison, III
Philmer H. Rohrbaugh

COMPENSATION COMMITTEE

John W. Lyman
Elizabeth H. McMullan
Albert Morrison, III
Robert P. Newcomer

EMPLOYEE BENEFITS COMMITTEE

Douglas S. Brossman
William F. Dodge, II
Elizabeth H. McMullan
Albert Morrison, III
Robert P. Newcomer

NOMINATING COMMITTEE

William F. Dodge, II
Eleanor B. Drew
George W. Hodges
John W. Lyman
Elizabeth H. McMullan
Albert Morrison, III

John A. Roda; Stephan P. Amicone; Douglas S. Brossman; Douglas B. Springer; Bradley C. Ehlert; Christopher R. Drew

Officers of Burnham Holdings, Inc.

Douglas S. Brossman	President and CEO
Stephan P. Amicone	Executive Vice President – Manufacturing
Christopher R. Drew	Vice President – Chief Marketing & Strategy Officer
John A. Roda	Vice President – General Counsel and Secretary
Douglas B. Springer	Vice President & Chief Financial Officer, Assistant Secretary
Bradley C. Ehlert	Controller

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