BURNHAM HOLDINGS
PERFORMANCE PROVEN • TECHNOLOGY FORWARD

BURNHAM HOLDINGS, INC.
2019 ANNUAL REPORT

LETTER TO OUR STOCKHOLDERS

Doug Brossman (left) and Chris Drew.

2019 was another strong year for the company. For the third consecutive year, sales and operational performance improved as demand for our residential and commercial heating equipment continued to strengthen. Net sales for the year were $212.3 million, an increase of $14.6 million, or 7.4%, versus 2018. Residential product revenue was up 3%, as both our residential boiler and furnace businesses delivered strong sales improvement. Commercial boiler sales were up approximately 20% versus last year, driven by strong demand for our commercial high-efficiency condensing products.

Our reported net income in 2019 of $8.7 million, or $1.91 per share, represented an increase of $2.5 million, or 40%, versus 2018 (excluding the impacts of the goodwill impairment charge recorded in 2018. Reported net income in 2018, which included a $6.8 million goodwill impairment charge, was a net loss of ($0.55) million, or ($0.12) per share. Excluding the impairment charge, net income in 2018 would have been $6.2 million, or $1.37 per share).

Our continued sales and profit growth is the direct result of our strategic commitment to meet the evolving needs of our customers for more sophisticated, high-efficiency products. Over the last several years, we have made significant investments in our residential and commercial businesses.

Examples of these investments in our future include the following:

- Our residential boiler businesses continue to grow as we introduce new, sophisticated high-efficiency boiler products, while enhancing and supporting our industry-leading line of cast iron and steel non-condensing products. We currently have in field trial a class-leading generation of high-efficiency condensing products that will bring new, sophisticated combustion technology to our already successful product lineup of heat only and combination heat and domestic hot water (“Combi”) high-efficiency stainless-steel condensing boilers.
- Our commercial boiler businesses had an excellent year as recent investments in product development allowed us to meet the changing needs of our commercial and industrial customers. Thermal Solutions and Bryan Steam continued to improve and expand their high-efficiency ARCTIC®/FREEFLEX and AMP/BFIT™ product families of commercial condensing boilers. They also entered a new market segment with the launch of a brand-new line of commercial condensing domestic hot water products. Overall, these products drove double-digit unit sales growth in 2019 in the high-efficiency product category for the second consecutive year.

The newly opened Burnham Holdings Center for HVAC Technology at the Thaddeus Stevens College of Technology in Lancaster, PA.

- Our residential furnace business, Thermo Pride, continues to execute at a high level, delivering its seventh consecutive year of increased oil furnace sales and market share gains through expansion of its multi-brand, multi-channel strategy.
- We increased capital investment in our operations to increase production efficiency and decrease costs. We added new and improved metal cutting, forming and machining capabilities across our businesses as part of a focused effort to increase overall labor productivity and support our continuous process improvement programs.
- We acquired a minority investment in energy technology company Enviro Power, a developer of cutting-edge combined heat and power technologies. Enviro Power's SmartWatt boiler design aligns extremely well with Burnham Holdings' core strengths in product engineering and manufacturing. Our strategic investment fits with our long-term commitment to develop highly efficient, low-emission heating appliances that serve a broad array of residential and commercial applications.
- After years of planning and design, we are pleased to announce the opening of the Burnham Holdings Center for HVAC Technology at the Thaddeus Stevens College of Technology in Lancaster, PA. This state-of-the-art facility will provide students with hands-on training utilizing equipment designed and manufactured by our subsidiary companies.

We also announced several important Director changes that will be effective as of the Annual Meeting on April 27, 2020. Robert P. Newcomer, Chairman of the Board, will retire from the Board after serving 18 years as a Director, including the last two years as Board Chairman. George W. Hodges was elected the new Chairman of the Board, effective April 27, 2020. Mr. Hodges has served as a Director of the Company since 2006, serving on several Board committees, including the Audit Committee, which he currently chairs, as well as the Nominating Committee. We are looking forward to the benefits of George's insights as we continue to execute our growth strategies.

Looking ahead, we will continue to invest in new products and new manufacturing capabilities. Our residential and commercial engineering teams have a full schedule of new products that will be launched over the next several years. We believe these R&D investments, coupled with our ongoing capital equipment upgrade cycle, will transform our manufacturing operations, and support the long-term success of the Company. These new manufacturing technologies are driving efficiency gains, inventory reductions, and cost reductions throughout our manufacturing facilities.

Accordingly, given the success of these recent investments, we remain optimistic about our prospects for future growth and financial success. Our subsidiaries' strong brands are well-recognized in the industry. Our distribution and sales network provides our products with 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, operation, brand, and sales strategies provides a strong foundation that will allow us to make strategic investments in our businesses to maintain and enhance our cost and product competitiveness.

We would also like to thank our truly exceptional team of dedicated employees for delivering a successful year in 2019. Our performance is the direct result of their collective efforts. They delivered on their promises of improving productivity, reducing costs, and laser-focused product development, marketing, and sales. It's only through the hard work and dedication of our employees that the business will grow and prosper.

We also would like to express our appreciation and gratitude to Robert P. Newcomer, who has been a valuable member of our board for 18 years, serving the last two years as chairman. Bob also served on numerous committees prior to being chairman, including the Employee Benefits Committee, the Corporate Compensation and Stock Option Committee, and the Strategic Review Committee. It is impossible for us to recount Bob's numerous contributions over the years. His oversight and wisdom as Chair of the Strategic Review Committee provided strong leadership for developing and implementing our forward-looking strategies. He is a thoughtful leader, and his insight and humor will be greatly missed.

Lastly, we want to take this opportunity to thank you, our Shareholders, for your ongoing support and loyalty. Our future looks bright. We will continue our strategy of delivering the finest boilers and furnaces on the market through innovation, efficiency, leadership, and – most of all – by caring for our customers, employees, community, and shareholders.

We welcome your questions and comments at any time. Thank you!

Sincerely,

Douglas S. Brossman
Chief Executive Officer

Christopher R. Drew
President and
Chief Operating Officer

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COMPANY PROFILE

Burnham Holdings, Inc. (the Company) provides the Heating, Ventilating, and Air Conditioning (HVAC) industry with thermal and interior comfort solutions used in a wide range of residential, commercial, and industrial applications.

Our subsidiaries are market leaders in the design, manufacture, and sale of boilers and related HVAC products and accessories, including advanced control systems, furnaces, radiators, and air conditioning systems. We offer a broad line of high-value, energy-efficient products sold under well-established brand names. Products are manufactured at 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, Velocity Boiler Works, 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 military bases, multi-unit residential buildings, health care, government, education, and hospital facilities. Industrial applications 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 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 HVAC technologies, as well as operational and product excellence, will continue to drive that foundation forward.

OUR VISION

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

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.

Engagement — Committed to the success of our customers, colleagues, and community.

Integrity — We keep our promises.

COMPANY SUBSIDIARIES & LOCATIONS

The consolidated financial statements include the accounts of the Company and its subsidiaries. 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. The Company and subsidiaries have approximately 810 employees nationwide, of which approximately 47% are union employees covered through separate collective bargaining agreements. Generally, the agreements are for a three-year period and expire at different times, including two agreements expiring within one year covering 17% of employees. Major subsidiaries of the company and their locations are shown below.

Bryan Steam, LLC	Peru, IN
Burnham Casualty Insurance Co.	Burlington, VT
Burnham Commercial, LLC	Lancaster, PA
Burnham Financial, LLC	Wilmington, DE
Burnham Services, Inc.	Wilmington, DE
Casting Solutions, LLC	Zanesville, OH
Commercial and Industrial Thermal Solutions, LLC	Lancaster, PA
Commercial Leasing and Services, LLC	Lancaster, PA
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
Thermal Solutions Sales Company, LLC	Lancaster, PA
Thermo Products, LLC	Denton, NC
U.S. Boiler Company, Inc.	Lancaster, PA
Velocity Boiler Works, LLC	Philadelphia, PA

Burnham Holdings, Inc. is a holding company owning multiple, separate subsidiaries, each of which do business in the HVAC industry. All products, services, manufacturing, 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 reporting a solid year of revenue growth as favorable seasonal winter weather in our key markets, continued growth in the U.S. economy, and higher sales of high-efficiency boiler products combined to increase 2019 sales results. We continue to make strategic investments in new product development and process improvements to develop innovative and cost-effective heating products that will drive our future growth.

- Net sales were $212.3 million, an increase of $14.6 million, or 7.4%, compared to 2018 as overall demand for residential and commercial heating equipment and higher sales of high-efficiency residential and commercial condensing boilers combined to improve 2019 sales results.
- Gross profit was $45.5 million, an increase of $3.9 million, or 9.3%, versus 2018.
- Operating income was $11.2 million, up $3.3 million (42%) compared to 2018 results (excluding the impact of a $6.8 million goodwill impairment charge in the 2018 results). This pro forma comparison of operating income is a better indicator of the difference in financial results from normal operations between 2018 and 2019.
- Year-end debt of $15.1 million was $3.4 million lower than last year and remains at a level that allows us the ability to invest in necessary capital improvements, while also being able to pursue appropriate business opportunities. Our net debt level (total debt less cash balances) at the end of 2019 was $0.7 million lower than at the end of 2018.

			Percent Change
(In millions, except per share data)	**2018**	**2019**	**2018/2019**
Net Sales	$ 197.7	$ 212.3	7.4%
Net Income (Loss)	(0.5)	8.7	N/M[4]
Pro Forma Net Income[3]	6.2	8.7	40.3%
Debt, Less Interest Rate Swap Instruments	18.1	14.4	(20.4%)
Total Debt	18.4	15.1	(17.9%)
Working Capital	49.7	52.0	4.6%
Total Assets	139.4	147.2	5.6%
Total Stockholders' Equity[1]	79.5	86.9	9.3%
Net Cash Provided by Operating Activities	7.8	12.0	53.8%
Per Share Data			
Basic Earnings (Loss) from Net Income (Loss)[2]	(0.12)	1.91	N/M[4]
Pro Forma Basic Earnings from Net Income[3]	1.37	1.91	39.4%
Dividends Paid	0.88	0.88	—
Book Value[1]	17.40	18.99	9.1%
Stock Price at Year-end	14.28	14.15	(0.9%)
Market Capitalization at Year-end	65.0	64.5	(0.8%)

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.

2) Impacted negatively by $(1.49) in 2018 due to non-cash goodwill impairment charges.

3) See chart on page 6 for details.

4) Result of calculation is not meaningful.

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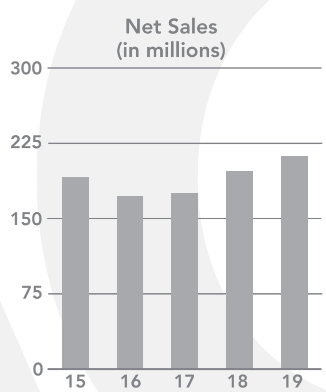

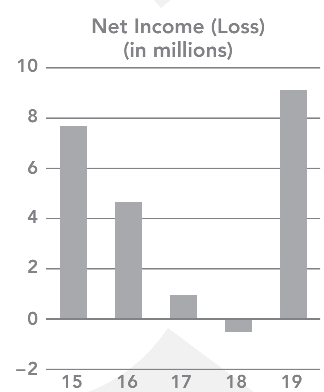

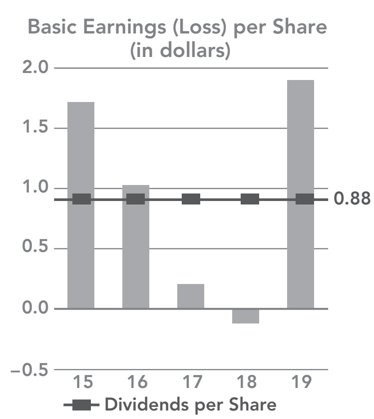

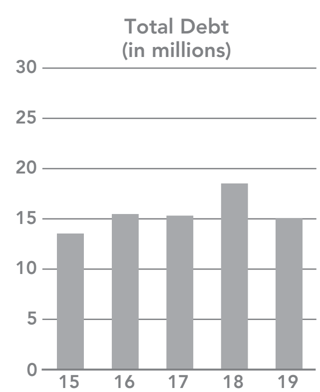

REVIEW OF OPERATIONS

OVERVIEW OF RESULTS

2019 was a year of continued improvement for the Company. The balance sheet remains strong, and there was consistent sales growth across the residential and commercial portions of our business. Net sales for the year were $212.3 million, an increase of 7.4% from last year. Demand during the year for residential and commercial HVAC products, particularly high-efficiency condensing boilers, was up versus last year, helping to drive overall sales growth.

We continue to see customer preference with respect to both residential and commercial heating products trend toward higher efficiency, higher value products. Our desire to meet our customers' needs has driven our continued investment in new products. The result has been the introduction of a number of new energy-efficient products over the past several years, with more new products planned for the years ahead. In 2019, our residential boiler subsidiaries continued to improve their broad product offerings of condensing and non-condensing products. Our residential furnace subsidiary increased sales and market share of oil furnaces for the seventh consecutive year. Sales of our new commercial condensing and non-condensing commercial products were also up over the prior year as our commercial subsidiaries continued to expand the features and available sizes of their existing high-efficiency products. Details of the results mentioned in this overview are discussed on the following pages.

PERFORMANCE PROVEN, TECHNOLOGY FORWARD

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

The key to our performance is a clear vision for meeting our customers' current and future needs through innovative technologies, including more energy-efficient products, "green" products with lower emissions, and smarter controls. This vision drives our product development and operational excellence.

The Company's investments in new, high-efficiency product development spans all of our businesses. It is driven by a constantly evolving marketplace, and guided by the needs and desires of end-users, homeowners, 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 philosophy continued to be borne out in 2019 as our engineering teams executed a comprehensive product development strategy that will result in the continued expansion of our current high-efficiency product offerings and the commercialization of a number of advanced heat exchanger, combustion, and control technologies over the next several years.

2019 was another example of the value of these investments.

In the Commercial Boiler space, we continued our investments in developing and launching new products to increase our commercial condensing boiler product development and manufacturing capabilities. Thermal Solutions and Bryan Steam continued to improve and expand their high-efficiency ARCTIC®, APEX™, and AMP/BFIT™ families of condensing boilers. They also entered a new market segment with the launch of a brand new line of commercial condensing domestic hot water products. Overall, these products drove double-digit unit sales growth in 2019 in the high-efficiency product category for the second consecutive year. These highly innovative products are unique in the industry with advanced feature sets and category-leading performance made possible by the recent investments in our commercial boiler product development capabilities.

In the Residential Boiler segment, U.S. Boiler Company, Velocity Boiler Works, and New Yorker leveraged their strong distribution networks to drive sales growth across all product categories. All products in our residential condensing product lineup meet 95% AFUE, and achieve class-leading combustion modulation ratios as high as 10:1. We began development of a new generation of high-efficiency condensing products that will bring new, sophisticated combustion technology to our already successful product lineup of heat only and combination heat and domestic hot water ("Combi") high-efficiency, stainless-steel condensing boilers.

Our residential furnace business, Thermo Pride, continues to execute at a high level, delivering its seventh consecutive year of increased oil furnace sales and market share gains through expansion of its multi-brand, multi-channel strategy.

2019 was also a year of increased capital investment in our operations to increase production efficiency and decrease costs. We added new and improved metal cutting, forming, and machining capabilities across our businesses as part of a focused effort to increase overall labor productivity and support our continuous process improvement programs.

We also acquired a minority investment in energy technology company Enviro Power, a developer of cutting-edge combined heat and power technologies. Enviro Power's SmartWatt boiler design aligns extremely well with our core strengths in product engineering and manufacturing. This strategic investment fits with our long-term commitment to developing highly efficient, low-emission heating appliances that serve a broad array of residential and commercial applications.

Finally, the Burnham Holdings Center for HVAC Technology at the Thaddeus Stevens College of Technology in Lancaster, PA, opened to students in April of 2019. This state-of-the-art facility will provide students with hands-on training utilizing equipment designed and manufactured by our subsidiary companies, preparing new HVAC technicians to support our industry for generations to come.

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 in 2019 were $212.3 million, an increase of 7.4% compared to the $197.7 million in sales during 2018. The vast majority of Burnham Holdings, Inc. consolidated net sales revenue is derived from sales to customers located in the United States. International sales, including Canada and Mexico, were 1.4% of sales in 2019 and 1.2% of sales in 2018. Sales increased in 2019 as a result of favorable seasonal weather in our key geographic markets, continued growth in the U.S. economy, and significantly higher sales of commercial condensing boiler products. Sales of residential products, which made up approximately 73% of total sales in 2019, increased by 3.4% over 2018 levels. Sales of commercial boiler products increased by 19.8% in 2019, with sales of high-efficiency commercial boilers driving the solid growth in 2019 sales compared to 2018 results.

We continue to be optimistic regarding the long-term outlook for our various business subsidiaries. There is a sizeable amount of installed hydronic heating equipment in the U.S., which will be replaced over time—either due to the age of the equipment or because the owner wants to improve operating efficiency and lower the annual cost of operating the equipment. Due to the wide array of modern, high-efficiency residential and commercial products sold by our subsidiaries, we are able to meet the requirements of virtually any residential or commercial heating application.

Our subsidiaries continue to make investments in projects that will increase employee safety, improve the design and manufacture of high-quality value-added products, provide world class customer service, and increase manufacturing productivity. All of these efforts help our subsidiaries to consistently manufacture and market innovative products that are highly competitive in the markets they serve.

Gross profit (profit after deducting cost of goods sold (COGS) from net sales) in 2019 was $45.5 million, or 21.4% of net sales. This compares to gross profit of $41.6 million in 2018, which represented 21.1% of net sales. Favorable items that improved gross profit in 2019 were a higher volume and more profitable mix of commercial product sales, as well as generally lower commodity raw material prices (scrap and steel) compared to 2018.

Selling, general, and administrative expenses (SG&A), shown on the Consolidated Statements of Income on page 11, were higher at $34.4 million in 2019 compared to $33.7 million in 2018, an increase of $0.7 million, or 1.8%. Although SG&A expenses were slightly higher in dollar terms, the amount in 2019 on a percentage of sales basis of 16.2% was significantly lower than the 17.1% of sales level of 2018. Income from operations increased by $10.0 million in 2019 compared to last year on a reported basis and by $3.3 million after adjusting for the impact of the goodwill impairment charge included in 2018 results as explained under "Other Assets" in Note 2 of the financial statement footnotes.

Other income (expense), as shown on the Consolidated Statements of Income, reflects an increase of $0.51 million compared to 2018 results. The increase between years was the result of increased interest and investment income along with mark-to-market gains on fixed income mutual funds. The increase was partially offset by higher interest expense as the result of generally higher average borrowing levels during 2019.

The effective income tax rates for 2019 and 2018 as reported on the Consolidated Statements of Income were 24.4% and 154.0%, respectively, with the rate for 2018 being significantly increased by $6.78 million in non-tax deductible goodwill impairment charges. On a pro forma basis, the 2018 effective income tax rate would have been 19.9% excluding the impact of the impairment charges.

In an effort to supply more transparent financial information, we are presenting the following pro forma table which eliminates the impact of goodwill impairment charges from our 2018 reported results. Excluding this unusual item gives a better summary of 2019 and 2018 results from normal operations.

Dollars in Thousands	2018	2019
Reported Net Income (Loss)	$ (545)	$ 8,738
	—	—
Goodwill Impairment Loss (Note 2 — Other Assets)	6,780	—
Pro Forma Net Income	$ 6,235	$ 8,738
Pro Forma % Return on Net Sales	3.2%	4.1%
Pro Forma Basic and Diluted Earnings per Share	$ 1.37	$ 1.91

Reported net income in 2019 was $8.738 million, a return on net sales of 4.1%, and basic earnings per share of $1.91. This is compared to a reported 2018 net loss of $(0.545) million, a return on net sales of (0.3)%, and basic loss per share of $(0.12). As noted in the table above, 2018 results are more comparable to 2019 if they are adjusted to exclude the impact of goodwill impairment. On this type of pro forma basis, net income in 2018 would have been $6.235 million. A comparison of 2019 results and 2018 results on this basis indicates an increase in net income in 2019 of $2.50 million, a 40% increase over 2018.

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 not be eligible to participate in the Plan. In the years following 2003, the benefit accrual was eliminated for all unionized 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 Plan 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 the Company stock. Obligations and actuarial assumptions are presented in Note 10 of the financial statements. While the Company believes its assumptions are reasonable 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 liabilities of the Plan be compared to the fair value of the assets of the Plan 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 benefits 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 change dramatically with relatively small changes in interest rate assumptions.

At the end of 2017, pension plan assets were $170.7 million compared to the projected benefit liability of $176.6 million, resulting in a recorded balance sheet liability of $5.9 million. Several changes occurred throughout 2018 and 2019 that created both positive and negative impacts to the recorded pension liability as explained more in the following paragraphs.

In 2018, two important factors impacted the funding status of the Plan. As the result of increased interest rates in the U.S. during 2018, the discount rate used to value plan liabilities increased from 3.40% in 2017 to 4.05% in 2018. This caused the total of plan liabilities to decline by $13.9 million compared to 2017. However, due to the impact of rising interest rates on the value of fixed income investments and lower returns in U.S. equity markets, the value of plan assets at the end of 2018 decreased by $15.3 million compared to the end of 2017. Combining these changes, the net pension liability at the end of 2018 increased by $1.4 million, and the year-end total of $7.4 million is recorded as a liability on the Company's balance sheet.

In 2019, the factors that led to the changes in asset values and pension liabilities in 2018 reversed course. Due to actions taken by the Federal Reserve to lower U.S. interest rates during 2019, the discount rate that was used to value plan liabilities at December 31, 2019 was 110 basis points lower than the rate used at the end of 2018 (2.95% versus 4.05%). Since plan liabilities move in an inverse relationship to the discount rate, the amount of total plan liabilities at year-end was $11.9 million higher than at the end of 2018. However, due to the stellar results during 2019 of both U.S. equity and fixed income markets, the value of plan assets at the end of 2019 increased by $15.6 million, $3.7 million more than the increase in plan liabilities which reduced the net pension liability to $3.7 million. This amount is recorded as a liability at year-end on the Company's balance sheet and is the lowest in the past 12 years. While the Plan would appear to be slightly 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.

The adjustments that are made to pension liabilities on an annual basis as discussed above are included in the Stockholders' Equity section of the Company's balance sheet in the subsection titled Accumulated Other Comprehensive Income (Loss) (AOCI). In addition to the pension liability changes, AOCI includes adjustments for other non-cash items, such as mark-to-market accounting for interest rate hedge instruments, currency contracts, and retiree health benefits.

Cash contributions to the Plan are tax-deductible and do not impact the Company's earnings. Minimum mandatory contributions are determined by ERISA regulations as amended by the Pension Protection Act of 2006. The Plan assets significantly exceeded minimum required levels at the start of 2019 and 2018. The Company made no voluntary contributions in 2019 and voluntary contributions of $2.63 million during 2018. The Company believes any minimum required contributions in 2020 would not be material.

LIQUIDITY AND CAPITAL RESOURCES

The seasonal nature of our business requires the Company to maintain a sharp 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 by operations in 2019 was $12.0 million compared to $7.8 million in 2018, an increase of $4.2 million or 54%. $2.5 million of the increase was due to improved operating results. Most of the remaining increase was due to smaller increases in inventory balances compared to last year. Decreased voluntary contributions to the pension plan, which added $2.6 million in positive cash flow were offset by higher capital spending of $2.2 million in 2019. All components of working capital are monitored closely and maintained at levels that are appropriate for the current operating levels of our subsidiaries.

Most importantly, the cash provided by operations in 2019 and 2018 supported the 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 an interest rate swap instrument, year-end "financed debt" for 2019 was $14.4 million, compared to $18.1 million at the end of 2018. The outstanding $14.4 million of debt for the Company and its subsidiaries is contained entirely on the Company's revolving loan agreement (the Revolver). The $4.0 million Industrial Revenue Bond used to finance a specific equipment and facility expansion in North Carolina that was classified as the current portion of long-term debt at December 31, 2018 was paid off on the maturity date of November 8, 2019. The debt related to interest rate instruments of $0.6 million (mark-to-market of one interest rate swap that will reverse itself over the term of the agreement) was $0.3 million higher at year-end 2019 compared to 2018.

The Revolver is financed through a consortium of three banks totaling $72.0 million (primarily used for working capital needs) and three additional agreements (the LOC) totaling $5.5 million for specific bank services. The Revolver had a balance of $14.4 million at year-end in 2019 and $14.1 million at year-end in 2018. In 2019, these agreements were amended to extend the term of the agreements by a year to August 2021. Subsequent to year-end, on January 31, 2020, the Company extended the term of the existing agreement to January 31, 2025. 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, 2019 and 2018, the Company was in compliance with all financial covenants as shown below:

Dollars in Thousands	December 2018	December 2019	
Funded Debt (1)	$ 9,711	$ 8,680	
Stockholders' Equity on FIFO Basis (2)	133,995	138,845	Minimum Level: $118,000
Debt Coverage Ratio (1)	6.57	8.92	Minimum Ratio: 1.35
Funded Debt to EBITDA (1)	0.93	0.67	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 16).

KEY LIQUIDITY DATA AND OTHER MEASURES

Dollars in Thousands	December 2017	December 2018	December 2019
Cash	$ 5,515	$ 8,399	$ 5,749
Working Capital	49,865	49,726	52,007
Total Debt	15,342	18,423	15,068
Financed Debt (1)	14,736	18,120	14,429
Financed Debt (1) to Capital (2)	11.6%	13.8%	10.9%
Stockholders' Equity	86,729	79,532	86,936
AOCI	(25,572)	(33,481)	(30,738)
Stockholders' Equity (excluding AOCI)	112,301	113,013	117,674
Common Stock Price	$ 15.75	$ 14.28	$ 14.15
Book Value per Share as Reported	19.02	17.40	18.99
Book Value per Share (excluding AOCI)	24.64	24.76	25.73

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. Peak debt levels during the third quarter ending September 30, 2019 and 2018 were $36.3 million and $31.9 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. The Company is not a party to any financial derivative transaction or any hedging agreements, except for one interest rate swap instrument. The Company has entered into this arrangement to hedge its exposure to interest rate fluctuations on a portion of its variable-rate debt.

CAPITAL INVESTMENTS

Capital expenditures totaled $6.6 million in 2019 and $4.4 million in 2018, compared to depreciation expenses of $4.1 million and $3.9 million in 2019 and 2018, respectively. Capital spending was higher in 2019 primarily due to the installation of automated sheet metal fabrication equipment at our U.S. Boiler subsidiary. The new equipment will greatly enhance their metal fabrication capabilities while also reducing operating costs. Other capital spending projects completed in 2019 included upgrades and replacements of equipment at Casting Solutions, LLC (normally in the range of $1.0 to $1.5 million per year); equipment related to production efficiency and quality improvement; expenditures for machinery and tooling related to new and/or redesigned products, and upgrades of existing machinery and equipment and facilities.

Capital expenditures for 2020 are budgeted at approximately $7.7 million. The 2020 capital spending plan includes several large projects that will enhance our subsidiaries' flexible manufacturing capabilities as we continue to introduce new, high-efficiency heating products. There are also a number of other projects in the plan that will improve productivity, reduce manufacturing costs, improve product quality, and maintain our existing machinery, equipment, and facilities.

BOARD ACTIONS

On February 20, 2020, the Company announced a quarterly dividend of $0.22 per common share. This would equate to an annual dividend rate of $0.88 per share. The annual dividend rate for Preferred stock is $3.00 per share. At its February 2020 meeting, the Board of Directors authorized the repurchase of 60,000 shares of either class of common stock at market prices during 2020. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. There were no repurchases of preferred stock in either 2019 or 2018.

PERSONNEL

The Company has recently announced several important Director changes that will become effective as of the Annual Meeting, April 27, 2020. Robert P. Newcomer, Chairman of the Board, will retire from the Board after serving 18 years as a Director, including the last two years as Board Chairman. Mr. Newcomer served on various committees, including the Employee Benefits Committee, the Corporate Compensation and Stock Option Committee, and the Strategic Review Committee. We are very appreciative of the countless contributions Mr. Newcomer has made to the success of the Company and we will always be indebted to him for his guidance and support as we developed and implemented our long-term strategies. Bob was never satisfied with the status quo, which, combined with his foresight and support for innovation and investment, has driven us to constantly improve our products, our operations, and our culture. George W. Hodges has been elected the new Chairman of the Board, effective at the conclusion of the 2020 Annual Meeting, April 27, 2020. Mr. Hodges has served as a Director of the Board since 2006, serving on several Board committees, including the Audit Committee, which he currently chairs, as well as the Nominating Committee. Also effective April 27, 2020, Douglas S. Brossman has been named Vice Chairman of the Board. Mr. Brossman will also continue in his role as Chief Executive Officer.

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 you should therefore 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 benefits offered to its employees, limiting their maximum annual 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 medical 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 after mid-2019, 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.

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 or removal of heating systems. The Company's subsidiaries, directly and/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 a potential reduction or reversal of verdict on appeal, any set-off rights, and/or a reduction of liability following allocation of liability among various defendants. For example, on July 23, 2013, and December 12, 2014, New York City State Court juries found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages. The subsidiary, whose share of the verdicts amounted to $42 million and $6 million, respectively, before offsets, filed post-trial motions and appeals seeking to reduce and/or overturn the verdicts, and granting of new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42 million to less than $7 million. Additionally, on May 15, 2015, the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2 million. On October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts, with all such settled amounts being covered by applicable insurance.

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 for settlements in 2019, 2018, and 2017, for all uninsured litigation of every kind, was $956,000, $1,250,000, and $108,000, respectively. Each of these years includes a self-insured asbestos claim. While it is unusual for an asbestos suit not to be covered by insurance, a few uninsured 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 expenses in 2019, 2018, and 2017 were $42,000, $187,000, and $108,000, respectively.

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 to 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 current or former 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 cleanup actions under government supervision. However, there is one older open matter that relates to 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 cleanup have been reimbursed by insurance proceeds. In 2009, our insurance carrier 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.

The Company 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.

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

The Audit Committee of the Board of Directors meets regularly with management, the 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
CEO

Dale R. Bowman
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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information included in the Letter to Our Stockholders, Company Profile, Financial Highlights, Review of Operations, Certain Significant Estimates, Management's Report, Ten-Year Summary, and Investor & Stockholder Information sections on pages 1–10 and pages 27–29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Baker Tilly Virchow Krause, LLP
Lancaster, Pennsylvania
March 2, 2020

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31 (In thousands, except per share data)	
	2019	2018
Net sales	$212,257	$ 197,707
Cost of goods sold	166,737	156,058
Gross profit	45,520	41,649
Selling, general, and administrative expenses	34,355	33,746
Goodwill impairment loss (Note 2 — other assets)	—	6,780
Operating income	11,165	1,123
Other income (expense):		
Non-service related pension credit	720	650
Interest and investment income	822	293
Interest expense	(1,141)	(1,057)
Other income (expense)	401	(114)
Income before income taxes	11,566	1,009
Income tax expense	2,828	1,554
NET INCOME (LOSS)	$ 8,738	$ (545)
BASIC EARNINGS (LOSS) PER SHARE	$ 1.91	$ (0.12)
DILUTED EARNINGS (LOSS) PER SHARE	$ 1.91	$ (0.12)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31 (In thousands)	
	2019	2018
Components of comprehensive income:		
Net income (loss) for the year	$ 8,738	$ (545)
Other comprehensive income (loss):		
Change in fair value of derivatives, hedges, and investments	(251)	156
Pension liability adjustment	2,827	(3,038)
Post-retirement medical liability adjustment	6	149
Other comprehensive income (loss)	2,582	(2,733)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 11,320	$ (3,278)

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

CONSOLIDATED BALANCE SHEETS

	December 31 (In thousands)	
ASSETS	**2019**	**2018**
CURRENT ASSETS		
Cash, cash equivalents, and restricted cash	$ 5,749	$ 8,399
Trade accounts receivable, less allowances (2019 – $306 and 2018 – $290)	24,589	23,567
Inventories:		
Materials, in process and supplies	37,701	36,838
Finished goods	9,533	8,979
Total inventory	47,234	45,817
Prepaid expenses and other current assets	1,661	1,656
TOTAL CURRENT ASSETS	79,233	79,439
PROPERTY, PLANT, AND EQUIPMENT, net	52,461	49,997
OPERATING LEASE RIGHT OF USE ASSETS (Note 4)	4,431	—
OTHER ASSETS, net of accumulated goodwill impairment charge of $12,780 and $12,780	11,064	9,930
TOTAL ASSETS	$ 147,189	$ 139,366

LIABILITIES AND STOCKHOLDERS' EQUITY	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 25,207	$ 25,423
Income taxes payable	888	154
Current portion of other post-retirement liabilities	152	136
Current portion of operating lease liabilities (Note 4)	979	—
Current portion of long-term debt	—	4,000
TOTAL CURRENT LIABILITIES	27,226	29,713
LONG-TERM DEBT	15,068	14,423
LONG-TERM OPERATING LEASE LIABILITIES (Note 4)	3,452	—
OTHER POST-RETIREMENT LIABILITIES	8,488	11,502
DEFERRED INCOME TAXES	6,019	4,196
STOCKHOLDERS' EQUITY		
Preferred Stock	530	530
Class A Common Stock	3,536	3,518
Class B Convertible Common Stock	1,408	1,426
Additional paid-in capital	16,034	15,911
Retained earnings	114,139	109,610
Accumulated other comprehensive loss	(30,738)	(33,481)
Treasury stock, at cost	(17,973)	(17,982)
TOTAL STOCKHOLDERS' EQUITY	86,936	79,532
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 147,189	$ 139,366

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31, 2019 and 2018 (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, 2018	**$ 530**	**$ 3,500**	**$ 1,444**	**$ 15,798**	**$ 109,019**	**$ (25,572)**	**$(17,990)**	**$ 86,729**
Reclassification adjustment for stranded tax effects	—	—	—	—	5,176	(5,176)	—	—
Exercise of stock options:								
8,206 shares of common stock	—	—	—	113	—	—	8	121
Conversion of common stock	—	18	(18)	—	—	—	—	—
Cash dividends declared:								
Preferred stock—6%	—	—	—	—	(18)	—	—	(18)
Common stock— ($0.88 per share)	—	—	—	—	(4,022)	—	—	(4,022)
Net loss for the year	—	—	—	—	(545)	—	—	(545)
Change in fair value of derivatives, hedges, and investments, net of $(46) of tax	—	—	—	—	—	156	—	156
Pension liability adjustment, net of $907 of tax	—	—	—	—	—	(3,038)	—	(3,038)
Post-retirement medical liability adjustment, net of $(44) of tax	—	—	—	—	—	149	—	149
Balance at December 31, 2018	**$ 530**	**$ 3,518**	**$ 1,426**	**$ 15,911**	**$ 109,610**	**$ (33,481)**	**$(17,982)**	**$ 79,532**
Other reclassification adjustment	—	—	—	—	(161)	161	—	—
Exercise of stock options:								
8,206 shares of common stock	—	—	—	123	—	—	9	132
Conversion of common stock	—	18	(18)	—	—	—	—	—
Cash dividends declared:								
Preferred stock—6%	—	—	—	—	(18)	—	—	(18)
Common stock— ($0.88 per share)	—	—	—	—	(4,030)	—	—	(4,030)
Net income for the year	—	—	—	—	8,738	—	—	8,738
Change in fair value of derivatives, hedges, and investments, net of $75 of tax	—	—	—	—	—	(251)	—	(251)
Pension liability adjustment, net of $(845) of tax	—	—	—	—	—	2,827	—	2,827
Post-retirement medical liability adjustment, net of $0 of tax	—	—	—	—	—	6	—	6
Balance at December 31, 2019	**$ 530**	**$ 3,536**	**$ 1,408**	**$ 16,034**	**$ 114,139**	**$ (30,738)**	**$(17,973)**	**$ 86,936**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31 (In thousands)	
	2019	**2018**
OPERATING ACTIVITIES		
Net income (loss)	$ 8,738	$ (545)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,127	3,933
Goodwill impairment loss	—	6,780
Deferred income taxes	1,023	1,172
Pension expense	27	68
Post-retirement liabilities	77	157
Reserves and other allowances	821	3,104
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,038)	(1,075)
Increase in inventories	(1,919)	(4,976)
Increase in prepaid expenses and other current assets	(5)	(318)
Contributions to pension trust	—	(2,630)
(Decrease) increase in accounts payable and accrued expenses	(560)	3,071
Increase (decrease) in income taxes payable	734	(927)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,025	7,814
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(6,570)	(4,377)
Investment in EnviroPower	(500)	—
Purchase of other assets	(8)	(8)
NET CASH USED IN INVESTING ACTIVITIES	(7,078)	(4,385)
FINANCING ACTIVITIES		
Proceeds from borrowings	320	3,374
Proceeds from exercise of stock options	123	113
Principal payments on long-term debt	(4,000)	—
Purchase of treasury stock	8	8
Dividends paid	(4,048)	(4,040)
NET CASH USED IN FINANCING ACTIVITIES	(7,597)	(545)
(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(2,650)	2,884
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	8,399	5,515
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 5,749	$ 8,399

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

dollars in thousands, except per share data

1. NATURE OF OPERATIONS

Burnham Holdings, Inc. (the Company) is the parent company of a group of subsidiaries that service the Heating, Ventilating, and Air Conditioning (HVAC) market segment. These subsidiaries are leading domestic manufacturers of boilers, and related HVAC products and accessories (including advanced control systems, furnaces, radiators, and air conditioning systems) for residential, commercial, and industrial applications. The majority of the 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 73% and 76% of 2019 and 2018 net sales, respectively. 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 2019 and 2018, amounted to 1.4% and 1.2% of reported sales, respectively. Sales to the 10 largest customers amounted to $93.6 million and $72.3 million in 2019 and 2018, respectively. The Company and its subsidiaries have approximately 810 employees nationwide, of which approximately 47% are union employees covered through separate collective bargaining agreements. Generally, these agreements are for three-year periods and expire at different times, including two agreements expiring within one year covering 17% of employees.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and subsidiaries. All significant inter-company 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.

Revenue Recognition: On January 1, 2018, the Company adopted the provisions of Accounting Standards Codification 606—Revenue from Contracts with Customers ("ASC 606"). The Company adopted ASC 606 using the full retrospective method.

The standard eliminated the transaction and industry-specific revenue recognition guidance under prior U.S. GAAP and replaced it with a principles-based approach for revenue recognition and disclosure. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that matches the consideration that the Company's subsidiaries expect to receive in exchange for those goods or services.

Performance Obligations: The Company's subsidiaries generate revenue from the sale of residential and commercial heating products and accessories to distributors and dealers, or through independent sales representatives and contractors. Revenue related to product sales is recognized at the time that control of the product has been transferred to the customer, either when the product is shipped from our facilities or when the product is received by the customer. Essentially all of the sales of our subsidiaries are recorded as point-in-time transactions, with payment terms that are short-term in duration.

Returns, Sales Incentives, and Warranties: For certain products supplied by our subsidiaries, the customer has a limited right to return standard products that for various reasons may not conform to specifications (i.e., damaged goods, incorrect product shipment, etc.). Each subsidiary recognizes returns as a reduction in revenue when goods are returned by the customer. There is no reserve for returns as there is normally a short time period (30–45 days) between the original shipment of goods and their ultimate return, and thus any impact on the financial statements would be immaterial.

Some subsidiaries of the Company engage in volume and incentive rebate programs that result in payments or credits being issued throughout the year to their customers. The amounts due under these programs are either estimated based on historical patterns or on actual sales volumes during the year, and are recorded as a reduction in sales revenue.

Also, certain subsidiaries offer standard warranties that the product will meet published specifications for a defined period of time after delivery. These warranties do not represent separate performance obligations and the Company's subsidiaries establish reserves for potential warranty claims based on historical experience.

Disaggregated Revenue: The following table disaggregates our revenue by major category for the years ended December 31, 2019 and 2018, respectively:

	2019	2018
Residential Products and Accessories	$ 154,548	$ 149,537
Commercial/Industrial Products and Accessories	57,709	48,170
Total Revenue	$212,257	$ 197,707

Contract Assets and Liabilities: The Company does not have contract assets since revenue is recorded by subsidiaries as control of goods are transferred to customers on a point-in-time basis. Any contract liabilities are not material and represent advance payments by customers that may be required based on the credit terms of a particular sales transaction.

Use of Practical Expedients in Applying ASC 606: The Company has elected the practical expedient in ASC 606-10-50-14 and does not disclose any information about any remaining performance obligations that have original expected durations of one year or less. The Company applies the practical expedient in ASC 340-40-25-4 and recognizes the incremental costs of obtaining contracts as selling expense when incurred when the amortization period over which the Company otherwise would have recognized is one year or less. The Company also applies the practical expedient in ASC 606-10-32-18 to not adjust the amount received in a contract for any financing component, as the Company expects all consideration to be received in one year or less at contract inception. Lastly, the Company applies the practical expedient in ASC 606-10-25-18B to treat shipping and handling costs as a fulfillment cost and not as a separate performance obligation.

Advertising: Costs are expensed as incurred.

Trade Accounts Receivable: Trade accounts receivable are recorded at the invoice price, net of allowances for doubtful accounts and discounts, 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.

Shipping and Handling Costs: The subsidiaries charge certain customers shipping and handling fees. These revenues are recorded in Net Sales. Certain costs associated with receiving material and shipping goods to customers are recorded as cost of goods sold. For the years ended December 31, 2019 and 2018, these receiving and shipping costs were $9,480 and $8,856, respectively.

Cash, Cash Equivalents, and Restricted Cash:
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, including an excess of $786 and $3,628 at December 31, 2019 and 2018, 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 costs which approximate current market values. The total of these investments were $4,961 and $4,664 at December 31, 2019 and 2018, respectively.

A portion of the Company's cash may be restricted from time to time because of insurance regulatory requirements. As of December 31, 2019 and 2018, restricted cash in each year totaled $3,500.

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 $0 were included in accounts payable as of December 31, 2019 and 2018, respectively.

Fair Value of Financial Instruments: The Company follows the Financial Accounting Standards Board (FASB) 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.

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 or liabilities in active markets, quoted prices in inactive markets for identical or similar assets, 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 FVM.

The Company's specific Level 2 FVM for its interest rate swaps has been derived from proprietary models of the third-party financial institution holding these instruments. This analysis reflects the contractual terms of the interest rate 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 settlement value, which approximates fair value as of December 31, 2019 and 2018, was $639 and $313, 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 estimated fair values of cash and cash equivalents, trade accounts receivable, accounts payable, and accrued expenses approximate their carrying values at December 31, 2019 and 2018, 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 net realizable value, and 83% and 82% of the inventories were valued using the last-in, first-out method (LIFO) as of the end of 2019 and 2018, respectively. If the subsidiaries had used the first-in, first-out method (FIFO) of inventory accounting, inventories would have been $21,180 and $20,982 higher than reported at December 31, 2019 and 2018, respectively. The subsidiaries periodically review their inventories and make provisions as necessary for estimated obsolescence and slow-moving inventory items. The amount of such markdown is equal to the difference between cost of inventories and the estimated net realizable value based upon assumptions about future demands, selling prices, and market conditions.

During 2019 and 2018, inventory quantities were reduced either in total or at specific facilities. These reductions resulted in a liquidation of LIFO inventory quantities carried at different costs prevailing in prior years as compared with the cost of 2019 and 2018 purchases, the effect of which decreased cost of goods sold by approximately $51 in 2019 and decreased cost of goods sold by approximately $54 in 2018. These changes increased profits in 2019 by approximately $39, or $0.01 per share, and increased profits in 2018 by approximately $41, or $0.01 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 such 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 impairment of long-lived assets in 2019 or 2018.

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 2019 and 2018 was $4,106 and $3,912 respectively.

Other Assets: Other assets primarily include goodwill and other intangible assets. Goodwill of $3,002 (net of accumulated impairment charges of $12,780) as of December 31, 2019 and 2018 and other indefinite-lived intangible assets of $3,640 as of December 31, 2019 and 2018 are reviewed annually for impairment. In 2017, the Company early-adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-04, "Simplifying the Test for Goodwill Impairment." ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. During the annual impairment testing of goodwill in 2017, it was determined that certain conditions had changed, causing the Company to adjust its assumptions due to recent declines in revenues and net earnings for our subsidiaries that service the commercial boiler market. The Company used a blend of the Guideline Public Company Method and Guideline Transaction Method, both market approaches and the Discounted Cash Flows Method, an income approach to determine the indicated fair value of the commercial subsidiaries for both 2018 and 2017.

Based on the results of the impairment testing which showed that the carrying value exceeded the fair value of goodwill, we recorded a non-cash impairment charge of $6,000 for the year ended December 31, 2017. Although sales in our commercial subsidiaries, particularly sales of our high-efficiency commercial condensing boilers, increased in 2018, changing market demand for large commercial boilers and continued cost impacts (including significant steel price inflation due to U.S. import tariffs) caused us to further adjust the future outlook for sales of large, non-condensing commercial boilers. This resulted in our taking an additional $6,780 non-cash goodwill impairment charge in 2018 to eliminate the balance of goodwill associated with the commercial subsidiaries. No impairment charges were recorded related to goodwill in 2019 or for other indefinite-lived intangible assets for 2019 or 2018.

Other intangible assets (primarily customer lists, non-compete agreements, and patents and trademarks) amounted to $13 and $29 at December 31, 2019 and 2018, respectively, net of accumulated amortization of $3,683 and $3,670 at December 31, 2019 and 2018, respectively, and are being amortized over 3 to 20 years using the straight-line method. Total amortization expense for 2019 and 2018 was $21 in both 2019 and 2018. Future amortization expense is expected to be: $13 – 2020.

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.

The Company accounts for uncertainty in income taxes under the FASB guidance, which clarifies the recognition by prescribing the threshold a tax position is required to meet before being recognized in the financial statements. Tax benefits recognized in the statements are measured based on the largest benefit that cumulatively has a greater than 50% likelihood of being sustained in a tax examination, with a tax examination being presumed to occur.

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, 2019 and 2018.

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, 2019 and 2018, basic and diluted earnings per share are computed as follows:

For the Year Ended December 31, 2019	Net Income (Loss)	Weighted Average Shares*
Income	$ 8,738	
Less Preferred Stock Dividends	(18)	
Income Available to Common Stockholders	$ 8,720	4,558
Basic Earnings per Share	$ 1.91	
Dilutive Options		0
Diluted Earnings per Share	$ 1.91	4,558
For the Year Ended December 31, 2018	**Net Income (Loss)**	**Weighted Average Shares***
Loss	$ (545)	
Less Preferred Stock Dividends	(18)	
Loss Available to Common Stockholders	$ (563)	4,549
Basic Loss per Share	$ (0.12)	
Dilutive Options		1
Diluted Earnings per Share	$ (0.12)	4,550

*Shares stated in thousands.

In accordance with financial accounting standards related to EPS, basic earnings per share is computed by dividing the net income (loss) 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 2019 and 2018, 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 2019 and 2018, 188,610 and 165,170 options, respectively, were excluded from the diluted 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 changes in pension and post-retirement benefit obligations, net of income taxes. The primary factor impacting balances in AOCI are changes to interest rates and related impacts to the discount rates used for pension and post-retirement benefit obligations and interest rates for swaps. The following reconcilement presents amounts reclassified from AOCI.

	Pension Liability	Post-retirement Medical Liability	Interest Rate Swap Liability	Investment (Asset) Liability	Total	Affected Line in the Statements of Income
Balance January 1, 2018	**$ 24,817**	**$ 276**	**$ 388**	**$ 91**	**$ 25,572**	
Unrealized (Gains)/Losses	6,122	(113)	(144)	91	5,956	
Tax Effect	(1,408)	26	33	(21)	(1,370)	
Net Unrealized (Gains)/Losses	4,714	(87)	(111)	70	4,586	
Amounts Reclassified from AOCI						
Realized Gains/(Losses)	—	—	(149)	—	(149)	Interest Expense
Realized Gains/(Losses)	5,041	56	79	—	5,176	(c)
Amortization of Prior Service Costs	(2)	(50)	—	—	(52)	(a)
Amortization of Actuarial Loss	(2,175)	(30)	—	—	(2,205)	(a)
Tax (Expense) Benefit	501	18	34	—	553	(b)
Net Realized and Other Reclassification Adjustments	3,365	(6)	(36)	—	3,323	
Balance December 31, 2018	**$ 32,896**	**$ 183**	**$ 241**	**$ 161**	**$ 33,481**	
Unrealized (Gains)/Losses	(2,011)	1	432	—	(1,578)	
Tax Effect	462	0	(99)	—	363	
Net Unrealized (Gains)/Losses	(1,549)	1	333	—	(1,215)	
Amounts Reclassified from AOCI						
Realized Gains/(Losses)	—	—	(106)	—	(106)	Interest Expense
Realized Gains/(Losses)	—	—	—	(161)	(161)	(d)
Amortization of Prior Service Costs	(2)	(17)	—	—	(19)	(a)
Amortization of Actuarial Loss	(1,659)	10	—	—	(1,649)	(a)
Tax (Expense) Benefit	383	—	24	—	407	(b)
Net Realized and Other Reclassification Adjustments	(1,278)	(7)	(82)	(161)	(1,528)	
Balance December 31, 2019	**$ 30,069**	**$ 177**	**$ 492**	—	**$ 30,738**	

(a) These AOCI components are included in the computation of net periodic pension costs, which are included within Cost of Goods Sold and Selling, General and Administrative expenses in the Statement of Income (see Note 10 for additional details).
(b) Tax (expense) benefits are adjustments to deferred taxes within the Statements of Income.
(c) Amounts recorded to recognize stranded tax effects under ASU 2018-02, Reclassification of Certain Tax Effects from AOCI.
(d) Amounts recorded to reclassify certain investments under ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities.

Recent Accounting Pronouncements: During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)." Subsequently, various ASUs have impacted Topic 842 by allowing for practical expedients or issuing targeted improvements to the topic. Topic 842 requires lessees to recognize the assets and liabilities that arise from all leases on the balance sheet, whether operating or financing in nature. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. We adopted Topic 842 effective January 1, 2019 – see note 4 for additional information about leases.

On January 1, 2019 the Company adopted ASU 2016-01, "Financial Instruments, Recognition and Measurement of Financial Assets and Financial Liabilities," ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments, Recognition, and Measurement of Financial Assets and Financial Liabilities" and early adopted ASU 2018-13, "Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." The standards address the recognition, measurement, presentation, and disclosure of certain financial instruments. The guidance requires equity investments, except those accounted for under the equity method of accounting or subject to consolidation, to be measured at fair value with any changes recognized in net income rather than in other comprehensive income. Upon adoption on January 1, 2019, the Company recognized a decrease to the beginning balance of accumulated other comprehensive income (AOCI), net of tax of $161 and a corresponding decrease to the beginning balance of retained earnings related to the cumulative unrealized losses on equity securities as of December 31, 2018.

During August 2018, the FASB issued ASU No. 2018-14, "Compensation–Retirement Benefits–Defined Benefit Plans–General (Subtopic 715-20)," which will modify the disclosure requirements for employers that sponsor defined benefit pension and other post-retirement plans. The amendments in this update will be effective for the Company's fiscal years ending after December 15, 2020. The Company is currently assessing the impact that ASU-2018-14 will have on its consolidated financial statements.

3. CERTAIN SIGNIFICANT ACCRUALS AND ALLOWANCES

Certain accruals and allowances 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 allowances 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 allowances as required. At this time, allowances 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. Some of the subsidiaries of the Company offer a variety of warranty coverages depending on the type of unit and its application. General warranty allowances are maintained by each subsidiary based on its product warranty policy and historical experience. The Company and its subsidiaries are not insured for warranty claims.

Product Warranty and Related Product Matters	2019	2018
Balance at January 1	$ 1,029	$ 1,162
Accruals Related to Product Warranty and Product Matters	1,661	1,337
Settlements Made (in Cash or in Kind)	$ (1,711)	$ (1,470)
Balance at December 31	$ 979	$ 1,029

4. LEASES

On January 1, 2019, the Company adopted Accounting Standards Update (ASU) No. 2016-02, "Leases" (ASC Topic 842), using the modified retrospective method for leases existing at the date of adoption. Certain judgements and assumptions were made in applying ASC 842 as follows:

- We elected to use the package of practical expedients available for transition to not reassess the following: whether existing contracts were or contained leases; the classification of existing leases; and whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.
- We elected to not recognize a right-of-use asset (ROU) and lease liability for leases with a term of 12 months or less.
- We elected to not separate non-lease components from lease components and have accounted for the combined lease and non-lease components as a single item.

Our subsidiaries enter into operating leases for certain real estate, automobiles and office equipment. These leases have remaining terms of 1 to 6 years. During the year, two building leases were renewed for a period of 5 years each. An additional building lease was renewed for a 3-year period. One building lease has an option to renew the term for two 3-year periods. Certain leases contain an option to purchase leased items at fair value at the end of the lease. For purposes of calculating operating lease liabilities, lease terms are deemed to include renewal options when it is reasonably certain that we will exercise such options. As most of our leases do not explicitly state an interest rate, we use our incremental borrowing rate at the time of lease commencement to calculate the present value of future lease payments. We used our incremental borrowing rate at January 1, 2019, the rate as of the beginning of the earliest period of adoption presented in the financial statements, for operating leases that started before that date. We recorded approximately $1.6 million of right-of-use assets and related lease liabilities upon adoption. As of December 31, 2019, we do not have any financing leases or any operating leases that have not yet commenced.

The following tables present our operating lease expenses and supplemental information related to operating leases:

For the Year Ended December 31, 2019	
Operating Lease Expense	$ 1,187
Short-term Lease Expense	207
Total Lease Expense	$ 1,394
Non-cash Information:	
ROU Assets Obtained in Exchange for Lease Obligations	$ 3,932
Weighted Average Remaining Lease Term (in Years)	4.69
Weighted Average Discount Rate	3.47%

Undiscounted future minimum lease payments as of December 31, 2019 are as follows:

2020	$ 1,042
2021	953
2022	904
2023	883
2024	767
Thereafter	62
Total Lease Payments	$ 4,611
Less: Interest	(180)
Present Value of Lease Liabilities	$ 4,431

The Company adopted ASC 842 on January 1, 2019 as noted above, and as required, the following 840 disclosure is provided for periods prior to adoption. Future annual minimum lease payments as of December 31, 2018 were as follows:

2019	$ 1,124
2020	384
2021	141
2022	12
Thereafter	62
Total Minimum Lease Payments	$ 1,664

For 2019 and 2018, external rental expense for property (principally warehouse space) that was included in the Statements of Income totaled $1,013 and $1,197, respectively. A subsidiary has entered into a long-term lease (as part of an original acquisition agreement) with a Trust, in which one of the beneficiaries is the current President of that subsidiary. Related lease expense of $341 and $334 are included in the Statements of Income for 2019 and 2018, respectively.

5. PROPERTY, PLANT, AND EQUIPMENT

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

December 31	2019	2018
Land and Land Improvements	$ 6,825	$ 6,801
Buildings and Improvements	45,408	45,525
Machinery and Equipment	110,474	105,902
Total Property, Plant, and Equipment	162,707	158,228
Accumulated Depreciation	(110,246)	(108,231)
Net Property, Plant, and Equipment	$52,461	$49,997

6. LONG-TERM DEBT AND SHORT-TERM BORROWINGS

Long-term debt and short-term borrowings are as follows:

December 31	2019	2018
North Carolina Industrial Revenue Bond Due November 9, 2019	$ —	$ 4,000
Revolving Line of Credit through January 31, 2025	14,429	14,110
Fair Value of Swaps	639	313
Total Long-term Debt	15,068	18,423
Less Current Portion	—	(4,000)
Long-term Debt	$15,068	$14,423

Long-term Borrowings: The Company has a loan agreement (the Revolver) financed through a consortium of three banks totaling $72,000 (primarily used for working capital needs), and three additional Letters of Credit agreements (the LOC) totaling $5,500 for other specific bank services. Under these agreements, the Revolver and the LOC are due in full in 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 2019, these agreements were extended until August 1, 2021. Subsequent to year-end, on January 31, 2020 the Company extended the term of the existing agreement to January 31, 2025. 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, 2019, be at least $118,000 using the FIFO method of inventory valuation and excluding non-cash adjustments to AOCI. Stockholders' Equity on December 31, 2019, was $138,854 on this basis ($86,936 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, 2019 and 2018, the Company was in compliance with all financial covenants. Interest rates as of December 31, 2019 and 2018, were 2.96% and 3.78%, 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, goodwill impairment charges, and the cash flow impacts of LIFO and other specific adjustments, less the payment of dividends. Interest on the Revolver is due monthly. The Company has a relationship with one of the three banks mentioned above as part of this bank consortium, in which one board member and one board member/officer of the bank holding company are Directors of the Company. Prior to April 23, 2018, two board members of the bank holding company were directors of the Company and one Director of the Company was an officer in the bank holding company. All relationships between this institution and the Company are considered arms-length.

On November 9, 2004, two Industrial Revenue Bonds, a $4,000 fixed rate bond and a $264 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 and was paid in full on November 8, 2019. The interest rate on this tax-exempt bond was fixed at 4.80% and was payable quarterly. The variable-rate bond had a 12-year maturity with the principal due at maturity in 2016 (principal on this bond was repaid on November 9, 2016). The rate on the tax-exempt variable bond was a floating interest rate equal to LIBOR plus a margin based on a LIBOR rate schedule and was payable quarterly. The bonds, when outstanding, were collateralized by a lien on the building and equipment purchased.

Taking into consideration the subsequent event extension of the line of credit in January 2020, future maturities of long-term debt (including interest rate swap obligations) by year are: $0 – 2020; $0 – 2021; $0 – 2022; $639 – 2023; $0 – 2024; and $14,429 – 2025.

Total interest incurred in 2019 and 2018 was $1,141 and $1,057, respectively. Interest paid during 2019 and 2018 was $1,124 and $1,032, 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 $15,000 of its outstanding long-term debt. The notional amounts of the swaps were $10,000 and $5,000, respectively. Under these agreements, interest at a fixed rate of 4.11% and 3.52%, respectively, was paid to the counter-party on the notional amount of the swaps. The counter-party paid interest at a variable rate equal to the 30-day LIBOR rate. On December 22, 2015, an agreement was entered into with the counter-party of the above swaps to terminate the existing swaps and replace them with a single swap with a notional amount of $15,000 with a termination date of January 5, 2023, and a lower fixed interest rate of 2.96%, paid to the counter-party on the notional amount of the swap. The counter-party pays interest at a variable rate equal to the 30-day LIBOR rate (1.70% and 2.38% at December 31, 2019 and 2018, respectively). The obligations under the swaps are 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 2019 and 2018 was $106 and $149, respectively. An estimate, based on the December 31, 2019, interest rate, of amounts to be reclassified in 2020 out of AOCI and expensed through the Statement of Income is $191.

The following table presents the interest rate swap agreements:

	Notional Amount	Liability	Fair Value Change	Income (Expense) Impact to AOCI(2)
December 31, 2019				
1)	$15,000	$ (639)	$ (326)	$ (251)
December 31, 2018				
1)	$15,000	$ (313)	$ 293	$ 67

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

7. INCOME TAXES

The provision for income taxes consists of the following:

For the Year Ended December 31	2019	2018
Current:		
Federal	$ 1,141	$ (88)
State	664	470
Total Current	$ 1,805	$ 382
Deferred:		
Federal	889	1,019
State	134	153
Total Deferred	1,023	1,172
Total Income Tax (Benefit) Expense	$ 2,828	$ 1,554
Income Taxes Paid	$ 1,031	$ 1,511

The effective tax rates for 2019 and 2018 as reported on the Consolidated Statements of Income were 24.4% and 154.0%, respectively, with the rate for 2018 being significantly impacted by $6,780 in non-tax deductible goodwill impairment charges.

A summary of deferred tax assets and liabilities as of December 31, is as follows:

December 31	2019	2018
Deferred Tax Assets	4,102	4,656
Less: Valuation Allowance	(315)	(320)
Net Deferred Tax Assets	3,787	4,336
Deferred Tax Liabilities	$ (9,806)	$ (8,532)
Net Deferred Tax Liability	$ (6,019)	$ (4,196)

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

December 31	2019	2018
Depreciation	$ (7,354)	$ (6,824)
Vacation	542	522
Employee Benefits	156	220
Workers' Compensation	117	197
Pension	413	1,387
Inventory	(1,359)	(1,033)
Warranty	334	323
Fair Value of Swap	147	72
Other	985	940
Net Deferred Tax Liability	$ (6,019)	$ (4,196)

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	2019	2018
Balance at January 1	$ 53	$ 53
Gross Settlements	(0)	(0)
Balance at December 31	$ 53	$ 53

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2019 and 2018, no accrued interest or penalties related to uncertain tax positions were recorded in the balance sheet.

The total amount of unrecognized tax benefits that would affect the effective tax rate if recognized is $53 in both years. The tax years 2016 to 2019 remain open to examination by major taxing jurisdictions to which the Company is 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 shares in Treasury Stock at December 31, 2019 and 2018, of 4,627.

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	2019	2018
Class A Stock Issued	3,536,389	3,517,941
Treasury Shares	(382,632)	(391,711)
Class A Stock Outstanding	3,153,757	3,126,230
Class B Stock Outstanding	1,407,822	1,426,270
Total Stock Outstanding	4,561,579	4,552,500

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 three 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 unissued shares, or treasury shares.

Restricted shares vest in annual installments of 33-1/3%, commencing one year after the date of grant (subject to forfeiture conditions) and are expensed over the three-year vesting period based on the fair market value of the Company's stock.

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 10 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 as they are liability classified awards. The fair value of the Company's Options and Rights, which are subject to graded vesting, is expensed 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 expenses related to the Company's share-based awards recorded for the years ended December 31, 2019 and 2018 were $129 and $101, respectively. The estimated compensation expense for non-vested share-based awards as of December 31, 2019, is $159 and will be recognized over the next three years.

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

For the Year Ended December 31	2019	2018
Dividend Yield	4.5%	4.5%
Volatility Rate	18.0%	18.0%
Risk-free Interest Rate	3.4%	4.0%
Expected Option Life (Years)	7.0	8.0

Transactions for 2019 and 2018 were as follows:

	2019		2018	
Options & Rights Awards	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding January 1	235,107	$ 17.10	207,507	$ 17.50
Granted	36,400	14.52	36,800	14.88
Exercised	(800)	8.20	—	—
Lapsed	—	—	(9,200)	17.34
Outstanding December 31	270,707	$ 16.78	235,107	$ 17.10
Exercisable December 31	188,610	$ 17.50	165,908	$ 17.72

	2019		2018	
Restricted Stock	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding January 1	21,061	$ 15.59	20,505	$ 17.18
Granted	11,106	14.52	11,239	14.88
Vested	(10,251)	15.82	(10,017)	18.04
Forfeited	—	—	(666)	15.62
Outstanding December 31	21,916	$ 14.94	21,061	$ 15.59

Options and Rights outstanding and exercisable at December 31, 2019, have exercise prices between $14.52 and $21.70. The weighted-average remaining contractual life of Options and Rights outstanding was 5.79 years and Options and Rights exercisable was 5.58 years. Shares available for grant at December 31, 2019 and 2018 were 431,716 and 479,222, respectively.

10. RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFIT ARRANGEMENTS

Defined Benefit and Other Post-retirement 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 fair 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 market fluctuations and the resulting impact on plan assets, and on changes in financial discount rates. Based on the funded position of the Plan at November 30, 2018, the Company did not have a minimum contribution required for 2019 and did not make any voluntary contributions during 2019. In 2018, the Company made a voluntary pretax contribution of $2,630 into the Plan. Minimum contributions for 2020 are indeterminable at this time, but will be based on actuarial certifications to be received by August 2020 that are governed by the Pension Protection Act of 2006 (PPA). The Company believes minimum required contributions, if any, will not be material.

A company subsidiary, Lancaster Metal Manufacturing LLC, is also a participant in a union-sponsored multi-employer defined benefit pension plan covering collective bargaining employees. This plan is not administered by the subsidiary or the Company, and the provisions of the negotiated labor agreement determine the contributions. The subsidiary's contributions do not represent 5% or more of the plan's total contributions, and there were no surcharges assessed for either of the years 2019 or 2018. The risks of participating in a multi-employer plan are different from a single-employer plan 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 this plan is outlined as follows and is based on Company information or information received from the certified annual reports of the plan:

Pension Plan	EIN/Plan Number	Plan Funded Status[(1)]		Company Contributions	
		2019	2018	2019	2018
Steelworkers Pension Trust	**23-6648508-499**	81.7%	81.2%	$ 76	$ 63

1) The plan was valued as of January 1 of the preceding year, with the 2018 information being the most recently available.

The Steelworkers Pension Trust was considered "Safe" for 2019 per the Pension Protection Act of 2006 because of the 2018 funded status being over 80%.

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 (losses) associated with holding these securities, $556 and $(174) in 2019 and 2018, respectively, were recognized in the Company's earnings as part of interest and investment income. The assets of the Company (within Other Assets) and the liabilities to employees (within Other Post-retirement Liabilities) under the plan were $3,536 and $2,882 at December 31, 2019 and 2018, respectively. The assets (a mix of mutual funds) are carried at fair value (as discussed in Note 2 — (FVM) as Level 1 FVM) measured on a recurring basis as of December 31, 2019 and 2018. Adjustments to this liability caused by changes in the value of the marketable securities, gains of $556 in 2019 and losses of $(174) in 2018, are classified within selling, general, and administrative 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, certain employees electing early retirement receive a fixed dollar amount based on years of employee service to assist them in covering medical costs. On December 31, 2006, the Company adopted the recognition and disclosure provisions of financial accounting standards related to employers' accounting for Defined Benefit Pension and Other Post-retirement 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 Post-retirement plans in the statement of financial position, with corresponding adjustments to AOCI, net of tax. For a pension plan, the pension liability is the projected benefit obligation; for any other Post-retirement plan, the liability is the accumulated Post-retirement benefit obligation.

At December 31, 2019, pension trust assets totaled $170,871 and the pension liability was $174,582, with the difference of $3,711 being recorded as a liability on the balance sheet. The pension liability was influenced negatively due to the use of a much lower discount rate in 2019 compared to 2018 (2.95% versus 4.05%). However, pension assets increased significantly due to the excellent returns in both the U.S. equity and fixed income markets. This resulted in a net decrease in the balance sheet pension liability of $3.6 million at year-end. Included in AOCI at December 31, 2019, are the following before-tax amounts that have not yet been recognized in net periodic Post-retirement benefit costs: unrecognized net actuarial loss of $39,049 and $231 for the Plan and Post-retirement medical benefits, respectively, including amortization of losses for the upcoming fiscal year of $2,484 and $18 for the Plan and Post-retirement medical benefits, respectively, and unrecognized prior service costs of $2 and $(36) for the Plan and Post-retirement medical benefits, respectively.

At December 31, 2018, pension trust assets were $155,366 and the pension liability was $162,722 with the difference of $7,356 being recorded as a liability on the balance sheet. The pension liability decreased in 2018 due to the use of a higher discount rate (4.05% compared to 3.40% in 2017). The decrease in the pension liability from the lower discount rate was more than offset by lower investment returns on plan assets. Included in AOCI at December 31, 2018, are the following before-tax amounts that have not yet been recognized in net periodic Post-retirement benefit costs: unrecognized net actuarial loss of $42,720 and $275 for the Plan and Post-retirement medical benefits, respectively, including amortization of losses for the upcoming fiscal year of $1,538 and $23 for the Plan and Post-retirement medical benefits, respectively, and unrecognized prior service costs of $2 and $(46) for the Plan and Post-retirement medical benefits, respectively.

The following financial disclosures present the aggregate defined benefit plans and other Post-retirement medical benefits for qualified employees of the plans for the years ending December 31, 2019 and 2018:

	Pension Benefits		Other Post-retirement Benefits	
	2019	2018	2019	2018
Projected Benefit Obligation	$ (174,582)	$ (162,722)	$ (1,393)	$ (1,400)
Fair Value of Plan Assets	170,871	155,366	—	—
Funded Status	$ (3,711)	$ (7,356)	$ (1,393)	$ (1,400)
Benefit Liability Recognized in the Consolidated Balance Sheet at December 31	$ (3,711)	$ (7,356)	$ (1,393)	$ (1,400)
Accumulated Benefit Obligation	$ (171,721)	$ (160,622)		

The pension trust is managed by independent third-party administrators, under policies and guidelines established by the Employee Benefits Committee of the Company 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, 2019 and 2018. 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, 2019 and 2018, the asset allocation was approximately 35% equity and 65% fixed income. 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 — FVM) as measured on a recurring basis as of December 31, 2019 and 2018:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2019				
Mutual Funds				
Fixed Income	$ 60,789	$ 60,789	$ —	$ —
Domestic Stock	22,918	22,918	—	—
Common Collective Trust Funds:				
Interest Rate Management	48,558	—	48,558	—
Other	38,606	11,922	26,684	—
December 31, 2018				
Mutual Funds				
Fixed Income	$ 57,030	$ 57,030	$ —	$ —
Domestic Stock	18,094	18,094	—	—
Common Collective Trust Funds:				
Interest Rate Management	45,499	—	45,499	—
Other	34,743	10,116	24,627	—

The plan had no Level 3 FMV investments at December 31, 2019 or December 31, 2018.

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

	Pension Benefits		Other Post-retirement Benefits	
	2019	2018	2019	2018
Discount Rates	2.95%	4.05%	2.95%	4.05%

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

	Pension Benefits		Other Post-retirement Benefits	
	2019	2018	2019	2018
Discount Rates	4.05%	3.40%	4.05%	3.40%
Expected Return on Assets	6.50%	6.50%	—	—

The discount rates used for assumption purposes are set based on matching the Plan's cash flow stream with a portfolio of similar bond maturities.

The rate of compensation increase used to determine the pension benefit obligations and benefit cost was 2.50% for 2019 and 2018.

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.

On January 1, 2018, we adopted Accounting Standards Update No. 2017-07 — "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost." The new standard improves the presentation of net periodic pension and post-retirement costs by requiring that employers report the service cost component of retirement benefit plans in the same line items as other compensation costs arising from services rendered by employees covered by the plans during the period. The annual service cost components as shown in the table below are included in the Consolidated Statements of Income in the line item titled "Cost of Goods Sold." The total of all of the other components of net periodic pension benefit expense is shown as a separate line item in the Consolidated Statements of Income titled "Non-service Related Pension Expense."

Net periodic benefit expense (income) for our pension and post-retirement benefit plans include the following components:

	Pension Benefits		Other Post-retirement Benefits	
	2019	2018	2019	2018
Service Cost	$ 747	$ 845	$ 26	$ 30
Interest Cost	6,415	5,878	51	47
Expected Return on Plan Assets	(8,796)	(8,832)	—	—
Amortization of Net (Gain) or Loss	1,659	2,175	10	30
Amortization of Prior Service Cost	2	2	(10)	50
Total Benefit (Credit) Cost	$ 27	$ 68	$ 77	$ 157

The following financial disclosures present annual information about the costs of, contributions to, and benefit payments by the Company's Plan and Post-retirement medical benefits.

	Pension Benefits		Other Post-retirement Benefits	
	2019	2018	2019	2018
Employer Contributions	—	2,630	85	78
Participant Contributions	—	—	43	61
Benefits Paid	13,394[1]	8,820	128	139

1) $4,377 due to one-time lump sum buyout of certain eligible vested former employees.

The following pension benefit payments, which reflect expected future service and salary, as appropriate, are expected to be paid: $9,675 – 2020; $9,919 – 2021; $10,089 – 2022; $10,270 – 2023; $10,314 – 2024; and $51,535 – 2025 to 2029.

The following Post-retirement medical benefit payments, net of plan participants' contributions, are expected to be paid: $152 – 2020; $163 – 2021; $167 – 2022; $157 – 2023; $111 – 2024; and $472 – 2025 to 2029.

Employee Savings Plans: The Company has established two 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 $795 and $740 in 2019 and 2018, 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. The contributions charged against income for this plan were $322 and $251 in 2019 and 2018, respectively.

11. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The Company is contingently liable at any given time under standby LOC 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, 2019 and 2018, the amount outstanding was $1,600 in both years.

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 or removal of heating systems. The Company's subsidiaries, directly and/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 a potential reduction or reversal of verdict on appeal, any set-off rights and/or a reduction of liability following allocation of liability among various defendants.

For example, on July 23, 2013 and December 12, 2014, New York City State Court juries found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages. The subsidiary, whose share of the verdicts amounted to $42 million and $6 million, respectively, before offsets, filed post-trial motions and appeals seeking to reduce and/or overturn the verdicts, and granting of new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42 million to less than $7 million. Additionally, on May 15, 2015, the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2 million. On October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts, with all such settled amounts being covered by applicable insurance. 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 operations of the Company's subsidiaries are subject to a variety of federal, state, and local environmental laws. At this time, 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. 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 allowances have been established.

The Company has evaluated subsequent events (events that occur after December 31, 2019 through March X, 2020, 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Sales*	$ 188,043	$ 196,604	$ 202,934	$ 188,890	$ 198,115	$ 189,338	$ 171,183	$ 175,778	$ 197,707	$ 212,257
Income Before Income Taxes	9,733	7,656	12,796	7,698	12,987	11,392	6,625	365	1,009	11,566
Income Tax Expense (Benefit)	3,524	2,573	4,569	2,384	4,416	3,647	1,988	(605)	1,554	2,828
Net Income (Loss)	6,209	5,083	8,227	5,314	8,571	7,745	4,637	970	(545)	8,738
Basic Earnings (Loss) per Share of Common Stock	1.39	1.13	1.83	1.18	1.90	1.71	1.02	0.21	(0.12)	1.91
Cash Flow per Share of Common Stock	2.38	2.11	2.88	2.21	2.92	2.63	1.84	2.29	2.25	2.83
Net Cash Provided by Operating Activities	12,388	6,498	13,999	6,480	2,811	7,322	5,043	9,549	7,814	12,025
Total Dividends Paid	3,047	3,055	3,244	3,618	3,815	4,014	4,025	4,032	4,040	4,048
Dividends per Share of Common Stock	0.68	0.68	0.72	0.80	0.84	0.88	0.88	0.88	0.88	0.88
Net Book Value of Plant and Equipment	50,001	50,122	47,785	47,529	45,681	47,969	45,752	49,532	49,997	52,461
Purchases of Property, Plant, and Equipment	15,666	4,412	2,274	4,336	3,127	6,572	3,153	8,283	4,377	6,570
Charges for Depreciation and Amortization	4,389	4,355	4,659	4,643	4,655	4,306	4,245	3,942	3,933	4,127
Current Assets	67,940	71,051	74,761	71,952	73,827	71,395	71,486	72,148	79,439	79,233
Current Liabilities	27,425	27,496	34,020	32,068	23,885	20,539	17,284	22,283	29,713	27,226
Working Capital	40,515	43,555	40,741	39,884	49,942	50,856	54,202	49,865	49,726	52,007
Total Debt	14,143	16,320	7,692	6,865	10,514	13,472	15,582	15,342	18,423	15,068
Net Worth	73,940	64,392	68,891	81,599	77,956	81,244	85,244	86,729	79,532	86,936
Book Value per Share of Common Stock	16.52	14.34	15.29	18.04	17.20	17.87	18.72	19.02	17.40	18.99
Proforma Book Value per Share of Common Stock**	21.50	21.93	23.01	23.35	24.40	25.21	25.33	24.64	24.76	25.73
Outstanding Shares of Common Stock***	4,456	4,468	4,486	4,507	4,514	4,528	4,537	4,544	4,553	4,562

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, amortization and goodwill impairment less pension income, divided by weighted average shares outstanding.

* Sales results prior to 2018 have been modified to conform to ASC 606. The result of the modifications were immaterial to previously reported results.

** Pro Forma 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

The Company is not currently required to register with the SEC (Securities and Exchange Commission) and therefore is not subject to the reporting requirements of 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 the Company 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, 2019. 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, product performance, and increased competition.

BUSINESS STRATEGY

Subsidiaries of the Company 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. This diversification, combined with the critical need for thermal solutions, ensures consistent financial performance through fluctuating economic cycles. That's how the Company 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. The Company is a unique investment opportunity that creates stable value while delivering solid returns. The Company has also grown and will continue to grow through acquisitions. The Company is continually looking for appropriate acquisitions at appropriate prices.

INVESTOR & STOCKHOLDER INFORMATION *(cont.)*

CORPORATE GOVERNANCE

The Board of Directors (the Board) of the Company is comprised of ten members, eight of whom are considered "independent" directors (not an employee, not affiliated with the Company's auditors, and not part of an interlocking directorate). The remaining two members of the Board are the Company's Chief Executive Officer, and the Company's President and Chief Operating Officer. 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 five 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 the Company consist of the Employee Benefits Committee, the Nominating Committee, the Audit Committee, the Compensation Committee and the Strategic Review Committee. These 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 the Company 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 the Company 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 27, 2020, 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 Dale R. Bowman, Vice President and Chief Financial Officer.

Telephone: (717) 390-7832
Fax: (717) 390-7852
Email: dbowman@burnhamholdings.com

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

Philmer H. Rohrbaugh, John W. Lyman, E. Philip Wenger, Christopher R. Drew, Douglas S. Brossman, Robert P. Newcomer, William F. Dodge, II, Donald A. Stern, Elizabeth H. McMullan, George W. Hodges

AUDIT COMMITTEE

George W. Hodges
John W. Lyman
Robert P. Newcomer
Philmer H. Rohrbaugh
Donald A. Stern

COMPENSATION COMMITTEE

John W. Lyman
Elizabeth H. McMullan
Robert P. Newcomer
Donald A. Stern

EMPLOYEE BENEFITS COMMITTEE

Elizabeth H. McMullan
Douglas S. Brossman
William F. Dodge, II
Christopher R. Drew
Robert P. Newcomer

NOMINATING COMMITTEE

William F. Dodge, II
Christopher R. Drew
George W. Hodges
John W. Lyman
Elizabeth H. McMullan
Robert P. Newcomer

STRATEGIC REVIEW COMMITTEE

Robert P. Newcomer
Douglas S. Brossman
Christopher R. Drew
John W. Lyman
Elizabeth H. McMullan

Bradley C. Ehlert, Dale R. Bowman, Christopher R. Drew, Douglas S. Brossman, John A. Roda

OFFICERS OF BURNHAM HOLDINGS, INC.

Douglas S. Brossman	Chief Executive Officer
Christopher R. Drew	President and Chief Operating Officer
Dale R. Bowman	Vice President and Chief Financial Officer, Assistant Secretary
John A. Roda	Vice President — General Counsel and Secretary
Bradley C. Ehlert	Controller

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The U.S. Boiler Company team at the Phoenix Alta production line (from left): Keith Diller, director of operations; Linh Coonan, controller; Paul Spradling, president; Dan Cork, vice president, sales & marketing; and Kurt Ruch, supply chain manager.

Burnham's time-saving panel bender takes flat sheet metal and bends it to exact specifications.

SUSTAINABLE SUCCESS

BURNHAM INVESTS IN CLEAN ENERGY TECHNOLOGIES, CONTRIBUTING TO A GREENER ENVIRONMENT

The push for cleaner energy solutions is now a top-of-mind concern for many people as they make decisions around replacing or upgrading their heating systems. Homeowners, building owners and installers all want to utilize appliances that support a healthier, more sustainable environment for future generations.

Since 2006, Burnham has taken a leadership role in developing products with higher efficiencies that reduce both CO2 and NOx emissions. Our continued focus on combustion improvements led us to a class-leading, new product — the Alta condensing gas boiler and combi. Scheduled to initially launch in mid-2020, the Alta utilizes an advanced combustion system that constantly adjusts the fuel air mixture to achieve optimum clean combustion, regardless of atmospheric conditions or fuel composition. The Alta's control technology continuously monitors flame ionization via the flue gas stream and adjusts the combustion to ensure the boiler is always running at optimal levels.

This industry-leading technology not only maximizes energy efficiencies while significantly lowering emissions, but it also reduces installation time and service requirements since the control algorithm is consistently monitoring and adjusting the fuel-to-air ratio. At high elevations, the system will automatically adjust to varying oxygen levels in the air and maintain steady, clean combustion.

The new Alta line will begin production later this year with products available under the U.S. Boiler, Velocity and New Yorker Boiler labels.

The new AMP Commercial Condensing Water Heater is a cost-effective solution for high-volume domestic water heating applications.

TECHNICAL INNOVATIONS IGNITE LOWER ENERGY CONSUMPTION

Burnham's sustainability efforts extend beyond the development of the Alta line to a broader commitment to clean-burning, high-efficiency products. The 2019 launch of the AMP Commercial Condensing Water Heater — an extension of the AMP/B-Fit product line — also served as a leader in the high-efficiency category.

2019 also saw the introduction of the Tru-O2 Commercial Combustion System, which provides constant oxygen levels during the combustion cycle's maximum and minimum firing levels, and higher efficiencies throughout the boiler's firing range. This new control technology results in CO2 and NOx emissions well below most national, state and local regulations.

This proprietary system provides building owners with significant opportunities for additional cost savings due to reduced fuel consumption. It also assures the technology in Burnham heating appliances is at the forefront of what's available in the industry today.

Finally, Eco Propel Pumping Technology — available on select Thermal Solutions and Bryan Steam products — is yet another control innovation. The Eco Propel system adjusts the running speed of the boiler pumps, delivering 85% savings on electrical consumption and an additional 3% savings on fuel costs.

FULL STEAM AHEAD

Well over 100 years after steam power helped drive the industrial revolution across the globe, steam boilers remain an integral component of major industries for any number of industrial processes and a cost-effective means of heating large residential and commercial buildings.

During 2019, Burnham commercial worked closely with its independent sales representative agency in New York City to design and trim out a number of 800-horsepower steam boilers for installations in 48-foot trailers that are used as portable boiler rooms around the greater New York City metro area.

These trailers support a multitude of equipment upgrade projects throughout New York City as part of the city's boiler room efficiency and reliability improvement program. Steam remains the heat transfer of choice in larger buildings since it provides heat at a constant temperature that can move throughout the building without mechanical means, like energy-consuming pumps, compressors or fans.

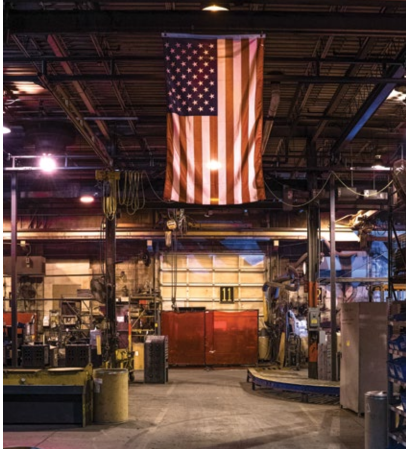
It's clear that Burnham Commercial's modern steam boilers — when equipped with the latest combustion equipment and controls — are the perfect choice for a variety of applications requiring a significant amount of energy for process or heating.

In 2019, Burnham Commercial introduced specialized high-capacity steam boilers to be used in portable boiler rooms that supported a variety of energy upgrade projects throughout the New York City metro area.

HEATING THE COOLEST PLACES

Burnham Holdings' products can be found in some pretty cool places. Ultra Lo-NOx Thermal Solutions boilers were recently installed at Skywalker Ranch, George Lucas' production facility outside San Francisco, California. Thermal Solutions was specifically chosen for its ability to satisfy California's stringent NOx standards — the lowest in the country. Burnham Holdings' products are also heating up areas like Gorilla World at the Cincinnati Zoo, the Callaway Fitting Center, the World Equestrian Center in Florida, numerous Great Wolf Lodge's throughout the United States and multiple locations at Ohio State University.

The Burnham Commercial Series scotch boiler offers a higher efficiency due to the larger furnace and higher heat transfer design.



COMMITMENT TO INDUSTRY. COMMITMENT TO BURNHAM.

2020 marks the end of two remarkable careers as we are pleased to honor the retirement of two individuals who have left a tremendous impact on both Burnham Holdings and the boiler industry — Ed Johann, director of engineering and quality at U.S. Boiler, and Elaine Phillips, president of New Yorker Boiler.

Ed joined U.S. Boiler just six years ago, but he has been a pioneer in the industry since he began his career in 1981. Since then, Ed has received multiple patents in combustion and heat exchanger design and has played a pivotal role in developing the first high-efficiency equipment for residential gas and oil platforms.

During his time with U.S. Boiler, Ed developed the state-of-the-art U.S. Boiler engineering lab while leading an engineering team that designed and released 39 new products. Although Ed is retiring, he will continue to serve as a senior engineering advisor.

Elaine began working for the boiler industry in 1976 as a receptionist. In 1986, New Yorker Boiler was acquired by Burnham. Since then, she began taking on leadership positions in a largely male-dominated industry.

After working as a customer service manager, and then a regional sales manager, Elaine was named president of New Yorker Boiler in 2001. The various roles she served during her career gave her a holistic perspective of the boiler industry, and a keen insight into what customers were looking for in heating products.

We are grateful to both Ed and Elaine for their service to their respective companies within the Burnham Holdings portfolio of businesses, and the lasting impact their legacies will leave on the boiler industry.

Well Done and Thank You!