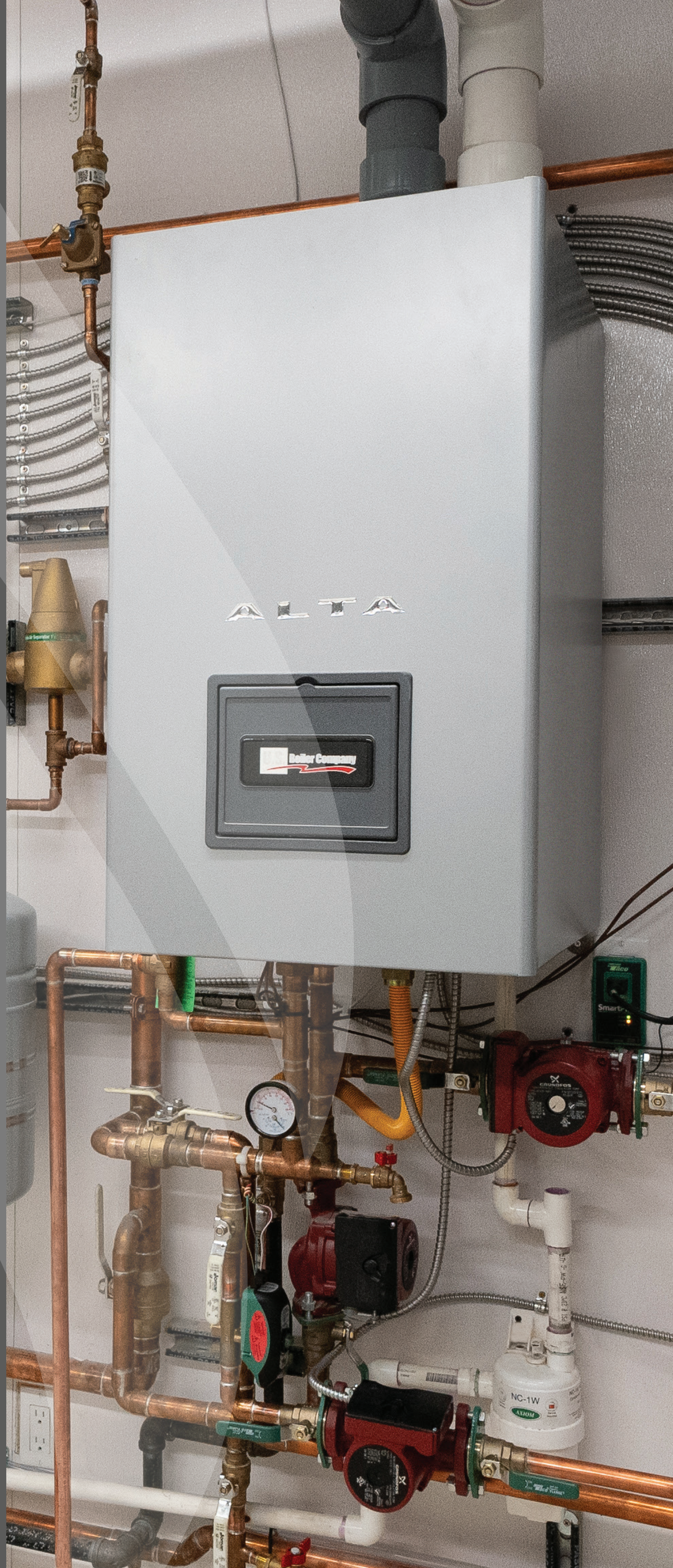
BURNHAM HOLDINGS

PERFORMANCE PROVEN · TECHNOLOGY FORWARD



BURNHAM HOLDINGS, INC.

2023 ANNUAL REPORT

LETTER TO OUR SHAREHOLDERS

Christopher R. Drew, President and CEO

2023 Continued Growth, Strong Financial Performance

Burnham Holdings, Inc.'s financial performance in 2023 was the best the Company has achieved by certain financial metrics since 2004. Incoming order flows for commercial and residential were strong during 2022 contributing to robust shipments of both residential and commercial products through the first quarter of 2023. As 2023 progressed, internal and external supply chain challenges eased as did significant challenges in hiring and retaining qualified employees. Our subsidiaries' ability to consistently ship product within stated lead times facilitated the sales organization's ability to win significant new business and achieve top line growth. These results are in contrast with the broader industry where volumes were down 15% to 24% depending on the segment. The combination of strong volumes, operational efficiency and financial discipline all contributed to the strong financial results that we have reported for the year.

The U.S. residential heating industry softened in 2023, with significant weakness in the furnace, condensing boiler and cast-iron boiler product categories. However, the residential boiler segment of our businesses outperformed the industry resulting in market share gains. Incoming commercial orders remained strong, and, in the aggregate, the commercial segment achieved its highest revenue since 2009.

Our subsidiary companies provide us with vertically integrated manufacturing capabilities for our core components. As has been our practice over the last several years, we continue to invest strongly in these operations to reduce costs and improve efficiency. Several high-profile projects, including some projects that replaced machinery and equipment that ranged from thirty to fifty years of service, were completed and we are already realizing improvements in plant-operating metrics.

A few highlights include:

- A new paint line at Lancaster Metal Manufacturing.
- A new automated high speed fiber laser at Norwood Manufacturing.
- Various improvements at Castings Solutions highlighted by:
  - Phase one of a multi-year project to upgrade the plant-wide compressed air system.
  - Completion and installation of a new bridge crane that handles scrap material for charging our melt system.
  - Continued progress towards completion of our multi-year plan to upgrade our core making capabilities.

Investment in our subsidiaries' product portfolios has also continued unabated. The HVAC market continues to be faced with various regulatory issues as well as shifting contractor and consumer needs. Our product development spend continues to adapt and remain flexible to these ongoing changes. During the second half of 2023, U.S. Boiler launched a family of electric heating products to address our customers' desire to offer electric products for those homeowners that no longer wanted to utilize fossil fuels. In Q4 2023, the initial product was introduced: an electric boiler that can easily integrate into an existing hydronic system and/or pair with an Air to Water Heat Pump. The Ambient brand of Air to Water heat pumps was subsequently released in January of 2024 by U.S. Boiler as either a complementary product to an existing boiler or as a standalone hydronic heating appliance. This step towards sustainable hydronic heating products continues to position our organization well to address state and federal decarbonization activities.

EnviroPower, the clean energy technology company we began investing in during 2019, was forced to discontinue its operations in late 2023. Due to shifting priorities within the investment community that limited support of interesting new HVAC technologies, EnviroPower was not able to raise the funding necessary to continue operations. As a result, we realized an impairment of our investment in EnviroPower in our 2023 financial results.

During the year, we continued to invest in Thermal InMotion, our boiler/water heater rental business. They doubled the size of their rental fleet and successfully began to provide units for various applications; a chocolate factory, a U.S. Army Barracks and a snack food manufacturer being among their initial customers. As part of our strategic expansion into ancillary boiler and combustions services, we completed the acquisition of Combustion Services Inc.'s net assets (CSI Services) in August 2023. CSI Services provides commercial/industrial mechanical contracting services to a broad array of customers across the Mid-Atlantic region. We believe the ability to provide a full suite of services for rental, repair, and replacement of multiple types of commercial/industrial boilers and associated HVAC equipment will complement our subsidiaries' ability to identify and capture a new category of service-oriented commercial customers.

We believe that our operational and product development investments, plus our expansion into the services and rental space, will continue to set us apart from our competition as we push toward a broader, more diverse revenue stream that reduces our concentration in any specific category of product or market segment.

Consolidated Results:

Net consolidated sales for the year set a new record at $253.0 million — an increase of $12.4 million, or 5.2%, versus 2022. Residential product sales were up 5.0% versus last year, with commercial product sales also up 1.4%. The results benefited from improved realization of pricing actions taken in 2022 and significant tempering in inflation, particularly for basic materials such as steel scrap, steel, steel components, and copper. Consolidated gross margins were strong with aggregate gains in gross margin percentages across the board, driven by operational improvements and the pricing actions taken in 2022 and the first half of 2023.

Consolidated net income in 2023 was $9.4 million, or $2.02 diluted earnings per share, with an EBITDA of $20.2 million, 8.0% of net sales. Both results are substantial improvements from the prior year. Year-end debt was $27.4 million, a decrease of $6.3 million or 18.7% vs 2022. Pricing, inventory control, expense control, improved plant efficiencies and strong volumes from all businesses contributed to these results.

2023 Key Accomplishments:

- Significant innovation advances and new product launches driving growth and market leadership:
    - The class-leading U.S. Boiler Alta and Velocity Phantom II products, introduced in 2022, continue to be our best-selling high-efficiency residential condensing products, adopted as the product of choice by hundreds of contractors across the country. The innovative remote service capabilities of USB Connect and Velocity PAT Connect have gained exceptional traction in the marketplace.
    - The Citadel family of light commercial condensing boilers leverages the success of our Alta technology to serve our wholesale distribution partners. Additionally, the Archer brand of cast iron products was successfully launched to fill the void created when one of the organization's historical competitors exited the industry.
    - The Ambient line of Air-to-Water Heat Pumps was completed and introduced in Q1 of 2024. The Ambient product is our first refrigerant-based heating product. It launches alongside a control package that simplifies installation with an existing boiler system, creating a "hybrid" solution that is highly applicable to regions with extended periods of weather below 40 degrees Fahrenheit.
    - With the support of the Electric Heating Team, U.S. Boiler completed development of and launched an electric boiler to meet the increasing requests of our customers for electric products.
    - The U.S. Boiler SteamMax cast iron boiler product line, first introduced in late 2021 as the first new residential steam product introduced by the industry in decades, continued to grow on a year over year basis as installing contractors steadily migrate to its unique capabilities particularly in applications where the local water may be less than ideal for steam boiler operation.
- We successfully completed the acquisition of CSI Services, in the third quarter, which allows us to enter the service segment of the commercial/industrial boiler market and brings new capabilities to the Thermal InMotion rental business.
- Working with our banking partners we entered into a suite of new credit agreements that expand our borrowing capacity by 33%. This is the first increase in our credit facilities since 2005 and the increased capacity is available to support our continued growth and segment expansion.

Personnel:

2023 was also a year of senior executive transition. Christopher Drew was appointed President and CEO in April 2023, taking over leadership from Doug Brossman who remains on the board. Additional Burnham Holdings officer appointments included Paul Spradling as Vice President of Operations, Bryan O'Toole as Vice President of Business Development, and Samantha Fugagli as Secretary and General Counsel. They join Vice President and CFO Nick Ribich, and Vice President of Human Resources Melissa Devitz in rounding out Burnham Holdings, Inc.'s executive leadership team.

We also want to recognize the extraordinary efforts of our colleagues and co-workers for their countless contributions. We are fortunate to have such a caring, experienced workforce, with approximately 16% of our colleagues across the many organizations serving more than 25 years as well as our growing cadre of newer team members, without whom our businesses would struggle. Their experience is a major driver of our success, and their guidance to our younger co-workers will maintain our legacy into the future.

Finally, we want to take this opportunity to thank you, our shareholders, for your ongoing support and loyalty. We welcome your questions and comments at any time.

Thank you!

Christopher R. Drew
President and CEO

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COMPANY PROFILE

Burnham Holdings, Inc. and its subsidiaries (the Company) provides the heating, ventilating, and air conditioning (HVAC) industry with thermal and interior comfort solutions for a wide range of residential, commercial, and industrial applications.

Our subsidiaries are market leaders in the design, manufacture, and sale of boilers, furnaces and related HVAC products and accessories. 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, and steel boilers, as well as cast iron and steel heat distribution products. Thermo Products offers warm air furnaces for the residential heating and cooling markets, including specialized units for the manufactured housing industry.

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, fire-tube, water-tube, and copper-tube boilers and water heaters, as well as boiler room accessories, for commercial and industrial applications.

Thermal InMotion compliments our core manufacturing business with a complete suite of boiler rental, service and installation services.

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. We expect that our 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 its subsidiaries have approximately 800 employees nationwide, of which approximately 46% are union employees covered through separate collective bargaining agreements. Generally, the agreements are for three-year periods and expire at different times. The next agreement expires in 2025.

Burnham Holdings, Inc.	Lancaster, PA
Bryan Steam, LLC	Peru, IN
Burnham, LLC	Lancaster, PA
Burnham Casualty Insurance Co.	Burlington, VT
Burnham Financial, LLC	Wilmington, DE
Burnham Holdings Engineering Company, LLC	Lancaster, PA
Burnham Holdings Sourcing Company, LLC	Lancaster, PA
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 Company, LLC	Philadelphia, PA
Governale Company, Inc.	Brooklyn, NY
Heating Solutions Sales Company, LLC	Lancaster, PA
I Street Properties, LLC	Lancaster, PA
Lancaster Metal Manufacturing, LLC	Lancaster, PA
New Yorker Boiler Company, LLC	Lancaster, PA
Norwood Manufacturing, Inc.	Norwood, NC
Thermal InMotion	Lancaster, PA
Thermal Solutions Products, LLC	Lancaster, PA
Thermo Products, LLC	Denton, NC
U.S. Boiler Company, LLC	Lancaster, PA
Velocity Boiler Works, LLC	Philadelphia, PA

CONSOLIDATED FINANCIAL HIGHLIGHTS

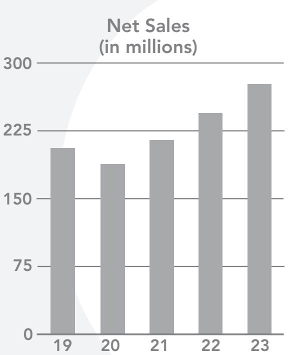
- Net sales were $253.0 million, an increase of $12.4 million, or 5.2%, compared to 2022. Sales increased 5.0% in the residential businesses during 2023 while net sales of commercial boiler products increased in 2023 by 1.4%. Net sales from the new Service and Rentals businesses was $2.6 million in 2023.
- Gross profit was $59.8 million, an increase of $13.6 million, or 29.5%, versus 2022. Gross margin percent was 23.6% in 2023 versus 19.2% in 2022.
- Selling, general and administrative expenses (SG&A) were up $6.9 million, or 19.0% from 2022. On a percentage of net sales basis, SG&A was 17.1% for 2023 versus 15.1% in 2022.
- Net cash provided by operating activities was $21.1 million for 2023 compared to $1.5 million in 2022.
- Total debt of $27.4 million was $6.3 million lower than last year.

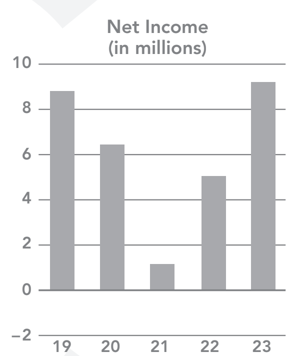
Burnham Holdings, Inc. is a holding company owning multiple, separate subsidiaries, each of which do business in or provide services supporting the HVAC industry. All products, services, manufacturing, and related activities referred to herein are the products, services, and related activities of the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

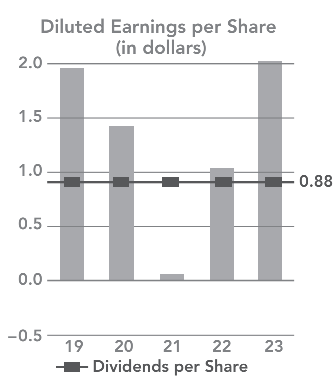
(In millions, except per share data)	2023	2022	% Change
Net Sales	$ 253.0	$ 240.5	5.2%
Net Income	$ 9.4	$ 5.4	73.8%
Total Debt	$ 27.4	$ 33.7	-18.7%
Working Capital	$ 59.6	$ 64.5	-7.6%
Total Assets	$ 184.7	$ 178.2	3.6%
Shareholders' Equity	$ 101.4	$ 92.6	9.6%
Net Cash Provided by Operating Activities	$ 21.1	$ 1.5	N/M
Per Share Data:			
Diluted Earnings per Share	$ 2.02	$ 1.18	71.2%
Dividends Paid	$ 0.88	$ 0.88	0.0%
Book Value per Share (1)	$ 21.85	$ 20.03	9.1%
Adjusted Book Value per Share (2)	$ 27.18	$ 26.01	4.5%
Share Price on 12/31	$ 11.75	$ 12.50	-6.0%
Market Capitalization on 12/31	$ 54.4	$ 57.6	-5.6%

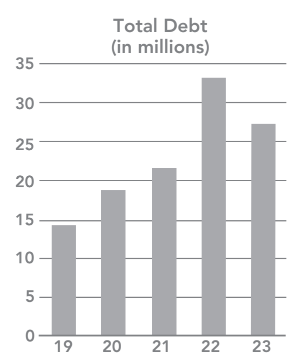
1) Book Value per Share is calculated as Shareholders' Equity divided by weighted shares outstanding.

2) Adjusted Book Value per Share is calculated as Shareholders' Equity excluding Accumulated Other Comprehensive Loss (AOCL), divided by weighted-shares outstanding.









REVIEW OF OPERATIONS

OVERVIEW OF RESULTS

2023 was a year of continued sales growth as demand for our boilers and furnace products remained strong. Over the course of the year, the staffing shortages, inflation issues and supply chain disruptions, both internal and external, the Company experienced in 2022 significantly improved. As a result, daily production rates increased to work off the significant backlogs that grew throughout 2022. As a result, sales growth over 2022 was achieved with net sales of $253.0 million, an increase of $12.4 million, or 5.2%, compared to 2022.

An area of substantial operational improvement during 2023 was the performance of Casting Solutions, our gray iron foundry, which supplies critical parts to our cast iron boiler businesses. During 2022 it was impacted particularly hard by the volatility in commodities it requires as inputs to its process. Energy, chemicals, transportation, and scrap metal prices all spiked to a significantly high degree that made cost recovery difficult. Commodity prices were more stable and less volatile in 2023, and we also realized tremendous improvement in operational uptime along with reduced internal scrap rates. These factors, and consistent operational hours, led to strong foundry performance year over year.

In addition to the foundry, the various boiler assembly and machining operations had strong operational years, with efficiency gains, inventory reduction efforts and expense control initiatives contributing to strong financial results. Improved gross profit and cash flow versus 2022 were clearly favorable outcomes from these efforts.

Each of the last several years has had unique challenges and 2023 was no different. The organization executed multiple initiatives extremely well, all designed to return our operations to a more stable and consistent operating model. The outcome of these efforts are clearly demonstrated by our excellent financial performance.

PERFORMANCE PROVEN, TECHNOLOGY FORWARD

In providing interior comfort solutions to the HVAC industry for a multitude of residential, commercial, institutional, and industrial applications, the Company has proven its ability to grow value for stakeholders year after year. The installed base of residential and commercial heating products provides a stable revenue stream due to the consistent product replacement cycle. However, meeting the evolving needs of this marketplace requires continued investment in engineering and new product development to ensure new products are in the pipeline to meet future demand. As part of that effort, we continue to evaluate our future product lines keeping in mind the important conversation around climate change and its impact on society and by extension our core heating markets.

Our engineering teams are constantly tracking emerging technologies in conjunction with their sales and marketing colleagues to develop a clear vision for meeting our customers' current and future needs. They've evaluated numerous innovative technologies, including more energy-efficient products, "green" products with lower emissions, and smarter controls. The last few years have seen questions from our customer base regarding electric hydronic heating technologies.

In response we dedicated a team of engineers to electric hydronic heating technologies and after several years of testing we released both a family of electric boilers and an Air-to-Water "hydronic" heat pump. These products will be marketed under the Ambient brand. Often referred to as "reverse cycle" air conditioning, heat pump technology uses refrigerants to move heat from one medium to another. It's highly efficient under certain temperature conditions and when used in conjunction with a boiler can create an efficiency optimized hybrid system that offsets the degradation in supply water temperatures all heat pumps incur when air temperatures are below 40 degrees Fahrenheit.

During 2023 we launched a new business, Thermal InMotion, which rents mobile boiler rooms that can provide emergency heat or heat water for numerous types of commercial applications. In the past year, the size of their fleet doubled adding both domestic hot water and steam rental trailers to their fleet.

In August 2023, Thermal InMotion purchased the net assets of Combustion Services Inc. (CSI Services) located in York, Pennsylvania. CSI Services provides commercial/industrial mechanical contracting services to a broad array of customers across the Mid-Atlantic region. The acquisition of CSI Services further enhances the services it can provide. The acquisition also provides access to a new revenue segment for the organization that compliments the commercial boiler businesses.

In the Residential Boiler category, the continued growth of the Alta and Phantom II product families contributed to the solid financial performance of the residential segment of our business. These residential condensing boiler platforms utilize the most advanced "Gas Adaptive" combustion platform in the world giving it a strong feature set for the North American market. Offering a sophisticated self-tuning combustion system, these families of condensing boilers simplify installation for the contractor, ensuring clean, efficient combustion regardless of installation conditions. These products have quickly become an industry favorite accounting for more than 75% of our residential hi-efficiency boiler volume in 2023. This past year also saw the introduction of the USB Connect and Velocity PAT Connect service tools. These devices allow the contractor to wirelessly connect their mobile phones to the boiler and utilize a broad array of extended service and troubleshooting features that further improve the startup or troubleshooting experience.

Our residential furnace business, Thermo Pride, had a challenging year of oil and gas furnace sales. Industry volumes for oil and gas furnaces were down over 20% however continued growth in 2023 of their mid-efficiency gas furnaces for the manufactured housing market partially offset the softness in other categories. We believe the overall industry slowdown is caused by the typical cyclicality of the furnace industry rather than a systemic issue.

Our capital investment program continued during 2023 with investments in a variety of new equipment to improve our manufacturing operations. We purchased additional metal cutting, forming, painting, and machining equipment across our businesses as part of our focused effort to increase overall manufacturing efficiency and to support our continuous process improvement programs. These investments are part of a concerted multi-year effort to replace older equipment that is significantly beyond their useful lives. This effort is particularly true at Casting Solutions, where we have upgraded our casting core making equipment, completed phase 1 of a multi-year effort to upgrade our compressed air systems and installed a new bridge crane for the cupola charging system. All these efforts have resulted in improved foundry uptime and efficiency.

CONSOLIDATED FINANCIAL PERFORMANCE

Net sales in 2023 were $253.0 million, an increase of 5.2% compared to $240.5 million in net sales achieved in 2022. Consolidated net sales are primarily derived from sales to customers located in the United States. International sales, including Canada and Mexico, were 1.4% of sales in 2023 and 1.9% of sales in 2022. Net sales growth in 2023 was primarily due to strong demand and pricing actions to combat inflation. Net sales of residential products, which comprised approximately 74.6% of total net sales in 2023, increased by 5.0% compared to 2022. Net sales of commercial boiler products were flat to 2022 although overall demand for commercial products remained strong. In early 2023, the Company introduced Thermal InMotion, its mobile rental boiler fleet and supplemented the rental business with the acquisition of the net assets of CSI Services in August 2023. Net sales in 2023 from this new Service and Rentals segment of the business was $2.6 million.

We remain optimistic about the long-term business outlook for our residential and commercial business units and are excited by the prospects of Thermal InMotion. The introduction of the rental boiler and service business will allow us to tap into new opportunities. There remains a sizable installed base of hydronic heating equipment in the U.S. that will be replaced over time – either due to the age of the equipment or because the owner wants to improve the operating efficiency and lower the annual cost of operating the equipment. Due to the wide range of modern, high-efficiency residential and commercial products sold by our subsidiaries, we can meet the requirements of virtually any residential or commercial heating application.

Gross profit in 2023 was 23.6% versus 19.2% in 2022. The growth in margins year over year was primarily due to realization of pricing actions to offset inflation. Operating efficiency also contributed to improved margins as cost of goods sold decreased by $1.2 million versus 2022 despite the 5.2% growth in net sales.

Selling, general, and administrative expenses (SG&A) were $43.1 million in 2023 compared to $36.2 million in 2022, an increase of $6.9 million, or 19.0%. Prior year spend was lower than historical norms as we slowly returned to pre-Covid staffing, travel, and administrative spending levels. Although higher on a percentage of sales basis, SG&A spend was in line with expectations.

Other (expense) income was a net $1.8 million expense in 2023 compared to a net expense of $2.7 million in 2022. Higher year-over-year weighted-average interest rates on our debt funding contributed to the $1.0 million increase in interest expense. Significant interest rate hikes that began in 2022 continued into 2023 before ultimately stabilizing. On a weighted-average basis, the interest rate on our revolver was 7.1% in 2023 compared to 3.8% in 2022. The increase in interest expense was offset by investment returns and mark to market gains on short-term investments.

The Company's effective tax rate was 24.7% in 2023 versus 24.8% in 2022.

PENSION AND POST-RETIREMENT HEALTHCARE BENEFIT PLANS

The Company has a defined benefit pension plan and post-retirement healthcare benefit plans (the Plan) which cover certain eligible employees and retirees. Beginning in 2003, the Plan was amended to state that newly hired, non-union employees would not be eligible to participate in the Plan. Subsequent to 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. During 2022, the Company was able to reach agreement with this final group of union production employees and freeze further accrual of pension benefits. 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.

U.S. Generally Accepted Accounting Principles (GAAP) require that companies recognize in their consolidated balance sheets a liability for defined benefit pension and post-retirement plans that are underfunded or an asset for defined benefit pension and post- retirement plans that are overfunded. Pension and post-retirement healthcare obligations are calculated through actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, mortality, long-term expected return on plan assets, future compensation and healthcare cost trend rates.

The Plan is managed by independent third-party administrators under policies and guidelines established by the Employee Post-Retirement Benefits Committee. It is a policy of the Committee for the pension trust not to directly invest in Company stock. Obligations and actuarial assumptions are presented in Note 13 of the consolidated 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.

Plan assets are measured at fair value and are subject to market volatility. In estimating the expected return on plan assets, the Company considers the historical returns on plan assets as well as future expected returns for each asset class based on the target asset allocation of the pension trust.

During 2023, plan funded status improved as a result of overall market conditions which caused an increase in plan assets greater than expected returns on plan assets. A 20-basis point decrease in the discount rate from 2022 to 2023 had an inverse effect on plan funded status by increasing projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $4.2 million versus the prior year, resulting in a funded status of $3.0 million.

During 2022, plan asset performance was negatively impacted by overall market conditions. Plan asset mix is weighted 80/20 between fixed income and equities however both sectors experienced losses. Fixed income performance in the portfolio decreased approximately 22% while equities declined approximately 19%. Conversely, the rising interest environment during 2022 increased the discount rate significantly from 2.55% in 2021 to 4.90% in 2022. The higher discount rate decreased projected liabilities by $34.8 million at year-end. The net impact of asset performance and a higher discount rate resulted in a net underfunded status of $1.2 million which was recorded as a liability in the consolidated balance sheet as of December 31, 2022.

Cash contributions to the Plan are tax-deductible but do not impact on the Company's earnings. The Company last made a voluntary contribution of $1.0 million during 2021. Minimum mandatory contributions are determined by ERISA regulations as amended by the Pension Protection Act of 2006. The Company did not have a required contribution in 2023 and does not anticipate a required contribution in 2024.

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 operating activities in 2023 was $21.1 million compared to $1.5 million in 2022, an increase of $19.6 million. While net income was strong and increased by $4.0 million over 2022, the improvement in operating cash flow was a direct result of improved working capital management, specifically with inventory levels. On a FIFO basis, inventories were down $3.7 million in 2023 versus 2022 compared to 2022 versus 2021 when inventories grew $13.1 million. The inventory growth in the prior year was to support backlogs and anticipated volume growth, however, material cost inflation was a significant factor. We continue to monitor all components of working capital closely, particularly inventory levels, and believe they are appropriate to support the operating levels of our subsidiaries in 2024.

On October 25, 2023, the Company announced changes in its funding structure, including a new revolving credit facility. The new 5-year revolving facility (New Revolver) replaced the previous 5-year revolving credit facility (Prior Revolver) which was set to mature on January 31, 2025. The New Revolver is financed through a syndicated agreement between two banks and includes total borrowing capacity of up to $92.0 million, consisting of $72.0 million in immediately available credit and a $20.0 million accordion that can be executed as necessary. The New Revolver matures on October 16, 2028, with no scheduled principal payments prior to maturity. Interest on the New Revolver is due monthly and interest rates are set at a predefined margin rate plus one-month term Secured Overnight Financing Rate (SOFR). The New Revolver is primarily used to support working capital needs.

Additionally, to free capacity on the New Revolver, a $3.7 million term note was entered into and collateralized by certain real property. The term note accrues interest at the same rate as the New Revolver; principal and interest payments are due quarterly beginning December 2023. The term note matures on October 16, 2033. Expected principal payments are approximately $0.2 million per year with a balloon payment due at the end of the term.

On February 1, 2024, the Company entered into a $10.0 million equipment financing line (EFL) through its existing syndication. The EFL provides additional financing flexibility to the Company and increases total borrowing capacity. The EFL is subject to the same financial covenants as the New Revolver and term note.

The Prior Revolver was financed through a consortium of three banks with a credit line of $72.0 million and three additional letters of credit agreements (the LOC) totaling $5.5 million for other specific bank services. The Prior Revolver was set to mature on January 31, 2025. Interest rates were equal to a predefined margin rate plus the London Interbank Offered Rate (LIBOR).

At December 31, 2023 and 2022, the Company remained in compliance with all covenants as defined in the debt agreements in force at those times.

KEY LIQUIDITY DATA AND OTHER MEASURES

(In millions, except per share data)	2023	2022	2021
Cash and Cash Equivalents	$ 5.9	$ 7.0	$ 5.7
Working Capital	$ 59.6	$ 64.5	$ 53.4
Total Debt	$ 27.4	$ 33.7	$ 21.8
Debt to Adj Equity	17.1%	21.9%	14.7%
Shareholders' Equity	$ 101.4	$ 92.6	$ 96.3
AOCL	(24.7)	(27.5)	(22.3)
Shareholders' Equity Excluding AOCL	$ 126.1	$ 120.1	$ 118.6
Share Price at 12/31	$ 11.75	$ 12.50	$ 13.84
Book Value per Share	$ 21.85	$ 20.03	$ 20.92
Adjusted Book Value per Share	$ 27.18	$ 26.01	$ 25.77
Debt to Adj Equity			
Debt	27,416	33,721	21,830
Total Shareholders' Equity	101,435	92,560	96,278
LIFO	33,785	33,969	29,904
AOCL	(24,668)	(27,549)	(22,260)
Adjusted Equity	159,888	154,078	148,442
Debt to Adj Equity	17.1%	21.9%	14.7%

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 New Revolver mentioned above. Peak debt levels during the third quarters of 2023 and 2022, were $65.8 million and $49.1 million, respectively.

The Company currently believes that its liquidity position, its capital structure, and its banking relationships are adequate to meet foreseeable future needs. The Company is party to financial derivative transactions to hedge its exposure to interest rate fluctuations on a portion of its variable-rate debt.

CAPITAL EXPENDITURES

Capital expenditures totaled $9.4 million in 2023 and $7.3 million in 2022, compared to depreciation expenses of $5.0 million and $4.8 million in 2023 and 2022, respectively. Capital spending for 2023 was in line with our guidance in last year's report of $10.0 million, with the difference primarily due to timing of planned spend.

Capital expenditures for 2024 are budgeted at approximately $12.3 million. The 2024 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. Additionally, planned capital expenditures include investments intended to drive future growth while improving productivity and product quality. Replacing and refurbishing manufacturing machinery and equipment is also a significant portion of our planned capital spend in 2024.

BOARD ACTIONS

On February 22, 2024, the Company announced a quarterly dividend of $0.23 per common share. At its February 2024 meeting, the Board of Directors authorized the discretionary repurchase of 60,000 shares of Class A common stock at market prices during 2024. The Board may authorize additional repurchases from time to time. Management also has authority to repurchase preferred stock. There were no discretionary repurchases of common stock in either 2023 or 2022. The Company repurchased four shares of preferred stock in 2022.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Other reports, letters, press releases and investor presentations distributed or made available 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.

CRITICAL ACCOUNTING ESTIMATES

The Company's consolidated financial statements are based on the selection and application of significant accounting policies that currently affect the presentation of the Company's financial condition and results of operations, which require management to make significant estimates and assumptions. Management believes that the following are some of the more critical judgment areas in the application of accounting policies that currently affect the presentation of the Company's financial condition and results of operations. The figures presented herein are set forth on a consolidated basis unless otherwise stated.

Medical Health Coverage: The Company and its subsidiaries are self-insured for most of the medical health benefits offered to employees. The Company's exposure is limited to $275,000 per occurrence under third-party stop-loss coverage. The Company retains various third-party providers for the administration of its health coverage. The costs of these various plans and administrative charges are expensed monthly

Retiree Health Benefits: Prior to 2006, the Company provided certain medical benefits to a closed group of Medicare-eligible retirees. Beginning 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 receive a fixed dollar amount based on years of employee service to assist them in covering medical costs. These obligations are accounted for within the consolidated 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-2024, the Company's retained liability is for the first $25,000 per occurrence of product liability and for the first $100,000 per occurrence of environmental claims, and a total exposure of $750,000 per occurrence for workers' compensation in Ohio and Pennsylvania (fully insured for workers' compensation in all other states). Property insurance deductibles range from $50,000 to $500,000 per occurrence. All policies and corresponding deductible levels are reviewed on an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle workers' compensation 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, and which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. While most 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, which may include an award of punitive damages. Any such verdict in its totality would be subject to a potential reduction or reversal of verdict on appeal, reduction by set-offs, and/or a reduction of liability following allocation of fault among parties.

The Company conducts its various businesses in separate subsidiaries, and, as a result, it believes that any potential liability of a subsidiary because of a particular claim would be limited to such subsidiary. 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 actions and claims, 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.

On August 3, 2023, a jury rendered a verdict against one of the Company's subsidiaries for asbestos-related damages. The verdict equated to $31.5 million of compensatory damages and $6.5 million of punitive damages. The damage values are gross amounts without regard to setoffs, the potential for apportionment among parties (including plaintiff), and/or post-trial rulings that may reduce the damages. The subsidiary has submitted post-trial motions seeking remittitur and reduction of the verdict. No judgment has been entered at this time. The subsidiary intends to pursue an appeal of such judgment if the value is not reduced in line with the applicable case law and settlement trends. As of December 31, 2023, the Company believes it has sufficient reserves for this matter and the compensatory damages and appeal bond, if necessary, are covered by the applicable insurance policies. Verdicts of this nature are subject to potential reduction or reversal as seen in historical instances. 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 $42.0 million and $6.0 million before offsets, filed post-trial motions seeking to reduce and/or overturn the verdicts, and requesting the court to grant new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42.0 million to less than $7.0 million. Additionally, on May 15, 2015 the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2.0 million. Finally, on October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts.

Litigation Expense, Settlements, and Defense: The cost for settlements, including legal and consulting fees, in 2023, 2022 and 2021, for all uninsured litigation was $1.6 million, $1.3 million and $1.3 million, respectively. Each of these years includes a self-insured asbestos claim. While it is unusual for an asbestos suit to not be covered by insurance, uninsured claims do exist depending on the alleged time period of asbestos exposure.

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. consolidated financial statements. These consolidated 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 consolidated 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 US, LLP, independent auditors, are engaged to audit and report on these consolidated 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 consolidated financial statements are free from material misstatement.

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

Christopher R. Drew
President & CEO

Nicholas I. Ribich
Vice President & CFO

Opinion

We have audited the consolidated financial statements of Burnham Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2023, 2022 and 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2023, the Company changed its method of accounting for its last in, first out inventories. The consolidated financial statements for the years ended December 31, 2022 and 2021 have been restated for this change in accounting principle as disclosed in Note 1. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information includes the Letter to Our Shareholders, Company Profile, Financial Highlights, Review of Operations, Critical Accounting Estimates, Management's Report, Five-Year Summary and Investor & Shareholder Information sections on pages 1-10 and pages 27-29 but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Baker Tilly US, LLP

Baker Tilly US, LLP
Lancaster, Pennsylvania
March 1, 2024

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31, 2023, 2022 and 2021 (In thousands, except per share amounts)		
	2023	(Restated - See Note 1) 2022	(Restated - See Note 1) 2021
Net sales	$ 252,982	$ 240,547	$ 218,508
Cost of goods sold	193,223	194,403	182,123
Gross profit	59,759	46,144	36,385
Selling, general and administrative expenses	43,137	36,245	33,891
Investment impairment loss	2,298	–	–
Operating income	14,324	9,899	2,494
Other (expense) / income:			
Non-service related pension credit	57	130	574
Interest and investment gain (loss)	872	(1,124)	596
Interest expense	(2,733)	(1,690)	(1,049)
Other (expense) / income	(1,804)	(2,684)	121
Income before income taxes	12,520	7,215	2,615
Income tax expense	3,094	1,790	542
Net income	$ 9,426	$ 5,425	$ 2,073
Earnings per share:			
Basic	$ 2.04	$ 1.18	$ 0.45
Diluted	$ 2.02	$ 1.18	$ 0.45
Cash dividends per share	$ 0.88	$ 0.88	$ 0.88

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2023, 2022 and 2021 (In thousands)		
	2023	(Restated - See Note 1) 2022	(Restated - See Note 1) 2021
Net income	$ 9,426	$ 5,425	$ 2,073
Other comprehensive (loss) income, net of tax:			
Pension liability	3,165	(6,981)	5,959
Post-retirement medical liability	73	183	46
Interest rate swap	(357)	1,509	778
	2,881	(5,289)	6,783
COMPREHENSIVE INCOME	$ 12,307	$ 136	$ 8,856

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2023 and 2022 (In thousands) 2023	(Restated - See Note 1) 2022
Current Assets		
Cash and cash equivalents	$ 5,880	$ 6,994
Trade accounts receivable, net	31,023	29,243
Inventories, net	58,017	61,547
Costs in excess of billings	621	–
Prepaid expenses and other current assets	1,954	3,747
Total Current Assets	97,495	101,531
Property, plant and equipment, net	64,437	59,980
Lease assets	4,119	1,793
Other long-term assets	18,620	14,866
Total Assets	$ 184,671	$ 178,170

LIABILITIES AND SHAREHOLDERS' EQUITY	2023	(Restated - See Note 1) 2022
Current Liabilities		
Accounts payable & accrued expenses	$ 35,365	$ 36,047
Billings in excess of costs	137	–
Current portion of:		
Long-term liabilities	1,171	152
Lease liabilities	1,051	854
Long-term debt	184	–
Total Current Liabilities	37,908	37,053
Long-term debt	27,232	33,721
Lease liabilities	3,068	939
Other long-term liabilities	5,933	5,636
Deferred income taxes	9,095	8,261
Shareholders' Equity		
Preferred Stock	530	530
Class A Common Stock	3,633	3,626
Class B Convertible Common Stock	1,311	1,318
Additional paid-in capital	11,769	11,928
Retained earnings	121,291	115,999
Accumulated other comprehensive loss	(24,668)	(27,549)
Treasury stock, at cost	(12,431)	(13,292)
Total Shareholders' Equity	101,435	92,560
Total Liabilities and Shareholders' Equity	$ 184,671	$ 178,170

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Years ended December 31, 2023, 2022 and 2021 (In thousands, except per share amounts)							
	Preferred Stock	Class A Common Stock	Class B Convertible Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at Cost	Shareholders' Equity
Balance at December 31, 2020	**$ 530**	**$ 3,560**	**$ 1,384**	**$12,803**	**$116,633**	**$ (29,043)**	**$(14,652)**	**$ 91,215**
Cumulative effect of change in accounting principle, net of tax (see Note 1)	–	–	–	–	63	–	–	63
Balance at December 31, 2020 (as restated)	**$ 530**	**$ 3,560**	**$ 1,384**	**$12,803**	**$116,696**	**$ (29,043)**	**$(14,652)**	**$ 91,278**
Net income (as restated - see Note 1)	–	–	–	–	2,073	–	–	2,073
Other comprehensive income, net of tax (Note 14)	–	–	–	–	–	6,783	–	6,783
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.88 per share)	–	–	–	–	(4,056)	–	–	(4,056)
Share-based compensation:								
Expense recognition	–	–	–	218	–	–	–	218
Issuance of vested shares	–	–	–	(622)	–	–	622	–
Conversion of common stock	–	55	(55)	–	–	–	–	–
Balance at December 31, 2021 (as restated)	**$ 530**	**$ 3,615**	**$ 1,329**	**$12,399**	**$114,695**	**$ (22,260)**	**$(14,030)**	**$ 96,278**
Net income (as restated - see Note 1)	–	–	–	–	5,425	–	–	5,425
Other comprehensive loss, net of tax (Note 14)	–	–	–	–	–	(5,289)	–	(5,289)
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.88 per share)	–	–	–	–	(4,103)	–	–	(4,103)
Share-based compensation:								
Expense recognition	–	–	–	267	–	–	–	267
Issuance of vested shares	–	–	–	(738)	–	–	738	–
Conversion of common stock	–	11	(11)	–	–	–	–	–
Balance at December 31, 2022 (as restated)	**$ 530**	**$ 3,626**	**$ 1,318**	**$11,928**	**$115,999**	**$ (27,549)**	**$(13,292)**	**$ 92,560**
Net income	–	–	–	–	9,426	–	–	9,426
Other comprehensive income, net of tax (Note 14)	–	–	–	–	–	2,881	–	2,881
Cash dividends declared:								
Preferred stock - 6%	–	–	–	–	(18)	–	–	(18)
Common stock - ($0.88 per share)	–	–	–	–	(4,116)	–	–	(4,116)
Share-based compensation:								
Expense recognition	–	–	–	702	–	–	–	702
Issuance of vested shares	–	–	–	(861)	–	–	861	–
Conversion of common stock	–	7	(7)	–	–	–	–	–
Balance at December 31, 2023	**$ 530**	**$ 3,633**	**$ 1,311**	**$11,769**	**$121,291**	**$ (24,668)**	**$(12,431)**	**$101,435**

The accompanying notes are integral to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2023, 2022 and 2021 (In thousands)		
	2023	(Restated - See Note 1) 2022	(Restated - See Note 1) 2021
Cash flows from operating activities:			
Net income	$ 9,426	$ 5,425	$ 2,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,984	4,802	4,543
Investment impairment loss	2,298	–	–
Deferred income taxes	(161)	2	465
Provision for long-term employee benefits	(22)	(119)	93
Share-based compensation expense	702	267	218
Contributions to pension trust	–	–	(500)
Other reserves and allowances	(64)	920	1,165
Changes in current assets and liabilities, net of acquisition:			
(Increase) decrease in accounts receivable, net	(695)	(4,318)	3,734
Decrease (increase) in inventories, net	3,791	(9,037)	(3,226)
Decrease (increase) in other current assets	1,733	312	(591)
(Decrease) increase in accounts payable and accrued expenses	(870)	3,213	2,772
Net cash provided by operating activities	21,122	1,467	10,746
Cash flows from investing activities:			
Capital expenditures	(9,370)	(7,278)	(9,534)
Investment in EnviroPower	(141)	(611)	(796)
Purchase of CSI	(2,277)	–	–
Other investing activities	(9)	(8)	(8)
Net cash used by investing activities	(11,797)	(7,897)	(10,338)
Cash flows from financing activities:			
Net proceeds from borrowings	(6,305)	11,891	3,561
Dividends paid	(4,134)	(4,121)	(4,074)
Net cash (used by) provided by financing activities	(10,439)	7,770	(513)
Net (decrease) increase in cash and cash equivalents	$ (1,114)	$ 1,340	$ (105)
Cash and cash equivalents, beginning of period	6,994	5,654	5,759
Net (decrease) increase in cash and cash equivalents	(1,114)	1,340	(105)
Cash and cash equivalents, end of period	$ 5,880	$ 6,994	$ 5,654

The accompanying notes are integral to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 for residential, commercial, and industrial applications.

The Company and its subsidiaries have approximately 800 employees nationwide, of which approximately 46% are union employees covered through separate collective bargaining agreements. Generally the agreements are for three-year periods and expire at different times. The next agreement expires in 2025.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation: The consolidated financial statements include the accounts of the Company and subsidiaries. All intercompany accounts and material intercompany transactions have been eliminated. The Company does not have any unconsolidated legal entities, joint ventures, special-purpose entities or off-balance sheet financial arrangements.

Change in Accounting Principle: On January 1, 2023, the Company changed the inflation index methodology used to calculate its last-in, first-out (LIFO) inventory from a dual-index method to a single-index method. The decision to make this change was driven by management's belief that a single-index methodology provides a more appropriate reflection of the value of its LIFO-valued inventory and ensures the Company's external financial reporting uses a method that is consistent with the methods most commonly used by other industry participants.

The Company retrospectively applied this change in accounting principle and recorded a cumulative effect adjustment to increase the 2021 opening inventory balance by $0.1 million and retained earnings by $0.1 million, net of tax. The consolidated financial statements for the years ended December 31, 2022 and 2021 have been restated to reflect the use of the single-index methodology retrospectively. The cumulative effect adjustment covers the years ending December 31, 2017 through December 31, 2020. The Company determined it is impracticable to determine the cumulative impact for periods prior to the year ending December 31, 2017.

The impacts of this change on the Company's consolidated financial statements are summarized below. Additional restatements and related impacts are noted throughout this report.

Consolidated Statement of Income	Year Ended December 31, 2022		
(Decrease) / Increase	As Previously Reported	Adjustments	As Revised
Cost of goods sold	$194,871	$ (468)	$194,403
Gross profit	$ 45,676	$ 468	$ 46,144
Operating income	$ 9,431	$ 468	$ 9,899
Income before income taxes	$ 6,747	$ 468	$ 7,215
Income tax expense	$ 1,682	$ 108	$ 1,790
Net income	$ 5,065	$ 360	$ 5,425
Basic earnings per share	$ 1.10	$ 0.08	$ 1.18
Diluted earnings per share	$ 1.10	$ 0.08	$ 1.18

Consolidated Statement of Income	Year Ended December 31, 2021		
(Decrease) / Increase	As Previously Reported	Adjustments	As Revised
Cost of goods sold	$183,486	$ (1,363)	$182,123
Gross profit	$ 35,022	$ 1,363	$ 36,385
Operating income	$ 1,131	$ 1,363	$ 2,494
Income before income taxes	$ 1,252	$ 1,363	$ 2,615
Income tax expense	$ 229	$ 313	$ 542
Net income	$ 1,023	$ 1,050	$ 2,073
Basic earnings per share	$ 0.22	$ 0.23	$ 0.45
Diluted earnings per share	$ 0.22	$ 0.23	$ 0.45

Consolidated Statement of Comprehensive Income	Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
Net income	$ 5,065	$ 360	$ 5,425
Comprehensive (loss) / income	$ (224)	$ 360	$ 136

Consolidated Statement of Comprehensive Income	Year Ended December 31, 2021		
	As Previously Reported	Adjustments	As Revised
Net income	$ 1,023	$ 1,050	$ 2,073
Comprehensive income	$ 7,806	$ 1,050	$ 8,856

Consolidated Balance Sheet	Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
Inventories, net	$ 59,635	$ 1,912	$ 61,547
Deferred income taxes	$ 7,822	$ 439	$ 8,261
Retained earnings	$114,526	$ 1,473	$115,999
Total shareholders' equity	$ 91,087	$ 1,473	$ 92,560
Total liabilities and shareholders' equity	$176,258	$ 1,912	$178,170

Consolidated Statement of Cash Flow	Year Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised
Net income	$ 5,065	$ 360	$ 5,425
Deferred income taxes	$ (106)	$ 108	$ 2
Increase in inventories, net	$ (8,569)	$ (468)	$ (9,037)

Consolidated Statement of Cash Flow	Year Ended December 31, 2021		
	As Previously Reported	Adjustments	As Revised
Net income	$ 1,023	$ 1,050	$ 2,073
Deferred income taxes	$ 152	$ 313	$ 465
Increase in inventories, net	$ (1,863)	$(1,363)	$ (3,226)

The Company has provided the required disclosures under Accounting Standards Codification (ASC) 250-10-50-1 through 50-3 to ensure that users of the consolidated financial statements are adequately informed about the nature and effect of the change in accounting principle.

Management has evaluated the qualitative and quantitative factors surrounding the adoption of the new accounting principle and believes that the change is in the best interest of the Company and its shareholders.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of 90 days or less to be cash equivalents. Included in cash are investments in short-term, liquid assets whose balances are based on costs which approximate current market values. The total of these investments was $3.6 million and $4.7 million as of December 31, 2023 and 2022, respectively.

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.

Trade Accounts Receivable: Trade accounts receivable are recorded at the invoice price, net of allowances for credit losses and discounts, and do not bear interest. The allowance for credit losses is the Company's best estimate of the amount of probable credit losses in accounts receivable and is reviewed monthly. Such allowance is based on the credit losses expected to arise over the life of the receivables which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivable balances are written off against the allowance when management believes it is probable the receivable will not be recovered. The Company's subsidiaries generally pool all of their receivables into a single pool based on similar risk characteristics in estimating the expected credit losses. In situations where a receivable would not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. The Company's subsidiaries generally utilize the loss rate method in determining lifetime expected credit losses on receivables. This method is used for calculating an estimate of losses based primarily on historical loss experience. In determining loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, customer creditworthiness, changes in the terms of receivables, and effect of other external forces such as competition. The Company does not have any off-balance sheet credit exposure related to its customers.

Inventories: As of December 31, 2023 and 2022, approximately 85% and 87%, respectively, of the Company's inventories are valued using the LIFO method. The remainder of the Company's inventories are valued on the first-in, first-out (FIFO) method. The subsidiaries periodically review their inventories and make provisions for estimated obsolescence and slow-moving parts.

Property, plant and equipment, net: Property, plant and equipment is recorded at cost, net of accumulated depreciation and amortization. Depreciation is generally determined using the straight-line method over the estimated useful lives of the assets although certain machinery and equipment are being depreciated using the units of production method. The estimated useful lives of each class of property, plant and equipment generally consist of 30 years for buildings, 15 years for building and land improvements, 10 years for machinery and equipment and 5 to 7 years for all other items. Accelerated methods of depreciation are used for income tax purposes.

Goodwill: Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased in a business combination. Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company may first evaluate qualitative factors in determining whether or not goodwill is impaired. A quantitative impairment test is required only if the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount. The Company may also elect to bypass the qualitative test and move directly to a quantitative test of goodwill impairment. An election to bypass the qualitative test in a given year does not preclude the Company from taking the qualitative approach in the following year. When a quantitative assessment is performed, goodwill is evaluated for impairment based on financial data related to the reporting unit to which it has been assigned. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, limited to the total goodwill allocated to the reporting unit. During 2023 and 2022, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets: The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset for assets to be held and used. The Company also reviews the useful life of its long-lived assets when events and circumstances indicate that the actual useful life may be shorter than originally estimated. In the event that the actual useful life is deemed to be shorter than the original useful life, depreciation is adjusted prospectively so that the remaining book value is depreciated over the revised useful life.

During the fourth quarter 2023, the Company became aware that EnviroPower, the clean energy technology entity the Company began investing in during 2019, was unsuccessful in raising additional funding to support operations, and the Company did not believe additional investment or support was warranted. Accordingly, the Company recognized a full impairment of $2.3 million related to its investment in EnviroPower. This impairment charge is recorded as Investment impairment loss on the Consolidated statements of income and Consolidated statements of cash flows. There were no impairments of long-lived assets during 2022.

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 per occurrence. The liability recorded on the consolidated 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. Allowances for self-insured claims are based on the information currently available.

Advertising: Costs are expensed as incurred within Selling, general and administrative expenses.

Shipping and Handling Costs: The subsidiaries charge certain customers shipping and handling fees which are included 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, 2023, 2022 and 2021, these receiving and shipping costs were $10.6 million, $10.5 million and $9.3 million, respectively.

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 using Financial Accounting Standards Board (FASB) guidance, which clarifies recognition by prescribing the threshold a tax position is required to meet before being recognized in the consolidated 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 were no loans outstanding as of December 31, 2023 and 2022.

Reclassifications: Certain prior year numbers have been reclassified to conform to current year presentation. There was no change to the previously reported net income as a result of these reclassifications except as noted above in Change in Accounting Principle.

Recent Accounting Pronouncements: In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Company adopted the ASU prospectively. There was no adjustment to retained earnings upon adoption.

During October 2021, the FASB issued Accounting Standards Update (ASU) No. 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." ASU No. 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. ASU No. 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU No. 2021-08 during 2023 in conjunction with its acquisition of Combustion Service, Inc. (CSI Services) as discussed in Note 5.

During December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Company is currently assessing the effect that ASU No. 2023-09 will have on its results of operations, financial position and cash flows.

Subsequent Events: The Company has evaluated subsequent events occurring after December 31, 2023 through March 1, 2024. All material required events have been recorded or disclosed in the Company's consolidated financial statements. As discussed in Note 9 – Debt, the Company entered into a $10.0 million equipment financing line on February 1, 2024.

2. REVENUE

The Company accounts for revenue under ASC 606 - Revenue From Contracts With Customers (ASC 606). Revenue is measured based on the consideration that the Company and its subsidiaries expect to be entitled to in exchange for the goods or services transferred.

Disaggregated revenue by major source for the years ended December 31 (in thousands):

	2023		2022		2021	
Residential Products and Accessories	$188,695	74.6%	$179,747	74.7%	$169,177	77.4%
Commercial/ Industrial Products and Accessories	61,643	24.4%	60,800	25.3%	49,331	22.6%
Service and Rentals	2,644	1.0%	–	0.0%	–	0.0%
	$252,982	100.0%	$240,547	100.0%	$218,508	100.0%

Revenue is primarily derived from sales in the United States, with a concentration of these domestic sales located in the Northeast quadrant of the nation. The majority of 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. Service revenue is recognized on a percentage of completion basis, while rental revenue is recognized in accordance with the terms of the rental agreement. 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 ended December 31, 2023, 2022 and 2021 were 1.4%, 1.9% and 1.3% of reported sales, respectively. Sales to the 10 largest customers amounted to $117.7 million, $108.6 million and $99.2 million in 2023, 2022 and 2021, respectively.

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 (e.g., 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 (30–45 days) between the original shipment of goods and their ultimate return, and thus any impact on the consolidated 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 in the period incurred. The Company records a contract liability for rebates expected to be paid to its customers.

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.

Service contracts may result in contract assets or liabilities over time depending on the percentage of completion of those jobs and the amount billed to the customer.

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.

3. INCOME TAXES

Income tax expense for the years ended December 31, consists of the following (in thousands):

	2023	(As restated) 2022	(As restated) 2021
Current:			
Federal	$ 2,522	$ 786	$ (158)
State	733	468	210
	3,225	1,254	52
Deferred:			
Federal	(140)	471	401
State	(21)	65	89
	(161)	536	490
Income tax expense	$ 3,094	$ 1,790	$ 542
Income taxes paid	$ 267	$ 370	$ 2,179
Effective tax rate	24.7%	24.8%	20.7%

The principal components of the Company's deferred income tax assets and liabilities as of December 31, include the following (in thousands):

	2023	(As restated) 2022
Deferred income tax assets	$ 4,041	$ 4,670
Valuation allowance	–	(334)
	4,041	4,336
Deferred income tax liabilities	(13,136)	(12,597)
	$ (9,095)	$ (8,261)

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

	2023	(As restated) 2022
Depreciation	$ (8,151)	$ (8,279)
Vacation	539	526
Employee Benefits	195	111
Workers' Compensation	163	112
Pension	(685)	274
Inventory	(2,687)	(2,467)
Warranty	296	502
Fair Value of Swap	(341)	(448)
Other	1,576	1,408
Net deferred tax liability	$ (9,095)	$ (8,261)

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2023 and 2022, no accrued interest or penalties related to uncertain tax positions were recorded in the consolidated balance sheets.

The total amount of unrecognized tax benefits that would affect the effective tax rate if recognized is $0.1 million in both years. The tax years 2020 to 2023 remain open to examination by major taxing jurisdictions to which the Company is subject.

4. CAPITAL STOCK AND EARNINGS PER SHARE

Capital Stock: The Company's Preferred Stock is 6% cumulative, voting, par value $50 a share; is redeemable at $52.50 a share; and is carried at its stated liquidation preference of $50 a share. There are 10,600 shares authorized and issued, including 4,631 shares in Treasury Stock at December 31, 2023 and 2022.

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.

Share information regarding the Company's common stock at December 31, was as follows:

	2023	2022
Class A issued	3,633,199	3,626,485
Treasury shares	(315,534)	(337,830)
Class A outstanding	3,317,665	3,288,655
Class B outstanding	1,311,012	1,317,726
Total outstanding	4,628,677	4,606,381

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 share. 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.

The Company paid cash dividends of $0.88 per share during the years ended December 31, 2023, 2022 and 2021 for its Class A and B shares. The Company paid cash dividends of $3.00 per share during the years ended December 31, 2023, 2022 and 2021 for its Preferred shares.

Earnings Per Share: The computation of basic and diluted earnings per share for the years ended December 31, was as follows (in thousands except per share amounts):

	2023	(As restated) 2022	(As restated) 2021
Net income	$ 9,426	$ 5,425	$ 2,073
Less: Preferred Share Dividends	(18)	(18)	(18)
Net income available to Common Shareholders	$ 9,408	$ 5,407	$ 2,055
Basic weighted-average shares outstanding	4,620	4,601	4,580
Effect of dilutive securities share-based compensation plan	38	–	–
Diluted weighted-average shares outstanding	4,658	4,601	4,580
Earnings per share:			
Basic	$ 2.04	$ 1.18	$ 0.45
Diluted	$ 2.02	$ 1.18	$ 0.45

Shares of common stock related to share-based compensation that were not included in the effect of dilutive securities because the effect would have been anti-dilutive include 0.2 million shares during each of 2023, 2022 and 2021, respectively.

5. ADDITIONAL BALANCE SHEET INFORMATION

On August 4, the Company announced the acquisition of the net assets of Combustion Services, Inc. (CSI Services), located in York, PA, as a complementary addition to its rental boiler business launched in 2023. CSI Services is a full-service mechanical contracting company providing sales, service, installation, and repair of boilers, pressure vessels, piping systems, and industrial combustion applications.

The acquisition was accounted for under the acquisition method of accounting under ASC Topic 805 – Business Combinations. Goodwill recognized in the acquisition is attributable to the expected synergies of the combined operations. The amount of goodwill deductible for income tax purposes related to this acquisition was $2.5 million.

Net assets of CSI Services at the time of acquisition were reflective of fair value and not subject to any additional basis adjustment.

The following table reflects the recognized amounts of assets and liabilities assumed as of August 4, 2023 (in thousands):

Consideration:	
Cash	$ 2,277
Future consideration	1,800
Fair value of total consideration transferred	$ 4,077
Assets acquired and liabilities assumed	
Accounts receivable	$ 1,109
Inventory	261
Cost in excess of billings	544
Other assets	60
PP&E	71
Accounts payable and accrued expenses	(242)
Billing in excess of costs	(254)
Total identifiable net assets	$ 1,549
Goodwill	2,528
Total purchase price	$ 4,077

Future consideration consists of payments that are due to the seller at future dates. Of the $1.8 million, $1.1 million is due August 4, 2024 and recorded in Current portion of long-term liabilities and $0.7 million is due August 4, 2025 and is included in Other long-term liabilities. Acquisition costs of $0.1 million related to the transaction were expensed in the Consolidated statement of income for the year ended December 31, 2023.

As discussed in Note 1, the Company changed the inflation index methodology used to calculate its LIFO inventory from a dual-index method to a single-index method.

Inventories consisted of the following as of December 31, (in thousands):

	2023	(As restated) 2022
Raw materials and work in progress	$ 71,959	$ 82,717
Finished goods	19,843	12,799
Inventory at lower of FIFO or net realizable value	91,802	95,516
Excess of FIFO over LIFO cost	(33,785)	(33,969)
Inventories, net	$ 58,017	$ 61,547

Inventory obsolescence reserves deducted from FIFO cost were $2.2 million and $1.9 million as of December 31, 2023 and 2022, respectively.

During 2023 and 2022, certain inventory quantities were reduced either in total or at specific subsidiaries. These reductions resulted in a liquidation of LIFO inventory quantities carried at different costs prevailing in prior years versus the current year cost in 2023 and 2022. The following table shows the impact of the LIFO liquidation for the year ended December 31 (in thousands):

	2023	(As restated) 2022
Increase / (decrease) to cost of goods sold	$ 23	$ (679)
(Decrease) /increase to net income	(18)	523
Increase to earning per share	N/M	$ 0.11

Property, plant, and equipment, net consisted of the following as of December 31, (in thousands):

	2023	2022
Land and related improvements	$ 8,018	$ 7,982
Buildings and related improvements	52,884	51,917
Machinery and equipment	129,282	122,680
Rental assets	2,184	–
	192,368	182,579
Accumulated depreciation	(127,931)	(122,599)
Property, plant and equipment, net	$ 64,437	$ 59,980

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are included in Other long-term assets in the Company's Consolidated balance sheets. The carrying amount of goodwill in the Residential businesses for the years ended December 31, 2023 and 2022 was $3.0 million. As discussed in Note 5, the acquisition of the net assets of CSI Services resulted in goodwill of $2.5 million that is part of the Service and Rentals businesses. Indefinite-lived intangible assets were $3.6 million for the years ended December 31, 2023 and 2022.

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to risks from fluctuations in interest rates. To reduce exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures which prohibit the use of financial instruments for speculative trading purposes.

All derivative financial instruments are recognized on the Consolidated balance sheets at fair value. In accordance with ASC 815 – Derivatives and Hedging (ASC 815), the accounting for changes in the fair value of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in the fair value of derivative financial instruments that are designated as cash flow hedges are initially recorded in Other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, both at the inception of each hedge and on an ongoing basis, whether the derivative financial instruments that are designated as cash flow hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. No component of a designated hedging derivative financial instrument's gain or loss is excluded from the assessment of hedge effectiveness. Cash flow activity associated with the Company's derivative financial instruments is recorded in Cash flows from operating activities on the Consolidated statement of cash flow.

On March 29, 2023, the Company entered into a new 5-year interest rate swap with a notional value of $7.0 million which expires on March 29, 2028. The existing 5-year interest rate swap with a notional value of $15.0 million, which became effective January 5, 2023, expires on January 5, 2028.

The notional and fair values of the Company's derivative financial instruments designated as cash flow hedging instruments under ASC Topic 815, at December 31, were as follows (in thousands):

	2023		
	Notional Value	Other Long-Term Assets	Other Long-Term Liabilities
Interest rate swap	$ 15,000	$ 1,522	$ –
Interest rate swap	$ 7,000	$ –	$ 39

	2022		
	Notional Value	Other Current Assets	Other Long-Term Assets
Interest rate swaps	$ 15,000	$ 2	$ 1,945

The amount of gains and losses related to derivative financial instruments designated as cash flow hedges for the years ended December 31, were as follows (in thousands):

	Gain Recognized in OCI		
	2023	2022	2021
Interest rate swaps	$ 234	$ 1,766	$ 575

	Gain / (Loss) Reclassified from AOCL into Income		
	2023	2022	2021
Interest rate swaps	$ 698	$ (193)	$ (435)

The effects of cash flow hedges are recorded in Interest expense in the Consolidated statements of income. The amount of net gain included in AOCL at December 31, 2023 estimated to be reclassified into income of the next 12 months was $0.5 million, net of tax.

The Company is exposed to risk in the event of non-performance by the counterparty to its derivative financial instruments. Although no assurances can be given, the Company does not expect its counterparty to fail to meet its obligations.

8. LEASES

The Company accounts for leases under ASC 842 – Leases (ASC 842). The Company determines if an arrangement is or contains a lease at contract inception. Right-of-use (ROU) assets related to the Company's leases are recorded in Lease assets and lease liabilities are recorded in Current liabilities and Lease liability on the Consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU asset also includes prepaid lease payments and initial direct costs and is reduced for lease incentives paid by the lessor. The discount rate used to determine the present value is generally the Company's incremental borrowing rate because the implicit rate in the lease is not readily determinable. The lease term used to calculate the ROU asset and lease liabilities includes periods covered by options to extend or terminate when the Company is reasonably certain the lease term will include these optional periods.

The Company elected the short-term lease practical expedient that allows entities to recognize lease payments on a straight-line basis over the lease term for leases with a term of 12 months or less. The Company has also elected the practical expedient under ASC Topic 842 allowing entities to not separate non-lease components from lease components, but instead account for such components as a single lease component for all leases except leases involving assets used in manufacturing and distribution processes.

The Company and its subsidiaries enter into operating leases for certain real estate, automobiles, and office equipment. These leases have remaining terms of 1 to 5 years. Two building leases have an option to renew the term for one 5-year period. Certain leases contain an option to purchase leased items at fair value at the end of the lease. As of December 31, 2023, the Company and its subsidiaries do not have any financing leases or any operating leases that have not yet commenced.

Operating lease expenses and supplemental information related to the Company's leases at December 31, was as follows (in thousands):

	2023	2022
Operating lease expense	$ 1,098	$ 895
Short-term lease expense	205	548
	$ 1,303	$ 1,443
Non-cash information:		
ROU assets obtained in exchange for lease obligations	$ 3,030	$ 566
Weighted-average remaining lease term (in years)	5.88	2.16
Weighted-average discount rate	5.04%	3.17%

Future minimum lease payments as of December 31, 2023, are as follows:

2024	$ 1,276
2025	876
2026	737
2027	511
2028 - 2033	1,252
Future lease payments	$ 4,652
Interest	(533)
Lease liabilities	$ 4,119

For the year ended December 31, 2021, external rental expense for property (principally warehouse space) that was included in the Consolidated statements of income totaled $1.1 million. A subsidiary was party to 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. This lease ended on March 12, 2021, when the leased building and land were purchased from the Trust by one of our subsidiaries for approximately $4.4 million. Related lease expense of $0.1 million is included in the Consolidated statements of income for 2021.

9. DEBT

On October 25, 2023, the Company announced changes in its funding structure, including a new revolving credit facility. The new 5-year revolving facility (New Revolver) replaced the previous 5-year revolving credit facility (Prior Revolver) which was set to mature on January 31, 2025. The New Revolver is financed through a syndicated agreement between two banks and includes total borrowing capacity of up to $92.0 million, consisting of $72.0 million in immediately available credit and a $20.0 million accordion that can be executed as necessary. The New Revolver matures on October 16, 2028, with no scheduled principal payments prior to maturity. Interest on the New Revolver is due monthly and interest rates are set at a predefined margin rate plus one-month term Secured Overnight Financing Rate (SOFR). The New Revolver is primarily used to support working capital needs.

Additionally, to free capacity on the New Revolver, a $3.7 million term note was entered into and collateralized by certain real property. The term note accrues interest at the same rate as the New Revolver; principal and interest payments are due quarterly beginning December 2023. The term note matures on October 16, 2033. Expected principal payments are approximately $0.2 million per year with a balloon payment due at the end of the term.

On February 1, 2024, the Company entered into a $10.0 million equipment financing line (EFL) through its existing syndication. The EFL provides additional financing flexibility to the Company and increases total borrowing capacity. The EFL is subject to the same financial covenants as the New Revolver and term loan.

The Prior Revolver was financed through a consortium of three banks with a credit line of $72.0 million and three additional letters of credit agreements (the LOC) totaling $5.5 million for other specific bank services. The Prior Revolver was set to mature on January 31, 2025. Interest rates were equal to a predefined margin rate plus the London Interbank Offered Rate (LIBOR).

Financial Covenants: The Company is subject to various financial covenants related to the New Revolver and term loan. Under the new lending arrangements, the Company is required to maintain a fixed charge coverage ratio minimum of 1.25 and a funded debt to EBITDA ratio maximum of 3.75 (as defined in the agreement). The Prior Revolver contained similar financial covenants plus a covenant requiring Shareholders' Equity (excluding Accumulated other comprehensive loss) to exceed a certain threshold. Under both the New Revolver and the Prior Revolver, the margin rate the Company is charged for the upcoming year is based on the preceding year-end funded debt to EBITDA ratio.

At December 31, 2023 and 2022, the Company remained in compliance with all covenants as defined in the debt agreements in force at those times.

Interest: Interest rates as of December 31, 2023, 2022 and 2021 were 7.26%, 6.07% and 2.00%, respectively. The increase in interest rates from 2021 to 2022 was the result of market interest rate hikes throughout 2022 and their impact on LIBOR. Cash paid during the years ended December 31, 2023, 2022 and 2021 for interest was $2.7 million, $1.7 million and $1.0 million, respectively.

Related Party: A Director of the Company is also a Director of a member bank in the Company's syndicated lending agreements. All relationships between this institution and the Company are considered arms-length.

10. FAIR VALUE

The Company assesses the inputs used to measure fair value using a three-tier hierarchy.

Level 1 inputs include quoted prices for identical instruments and are the most observable.

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates and yield curves. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. Interest rate swaps are valued using proprietary models of the counterparty to the swaps.

Level 3 inputs are not observable in the market and include the Company's judgments about the assumptions market participants would use in pricing the asset or liability. The Company does not have any Level 3 fair value assets or liabilities as of December 31, 2023 and 2022.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, were as follows (in thousands):

	2023		
	Balance	Level 1	Level 2
Assets:			
Mutual Funds:			
Fixed income	$ 6	$ 6	$ –
Domestic equities	532	532	–
Money market	1,359	1,359	–
Corporate bonds	1,673	1,673	–
Municipal bonds	1,405	1,405	–
Interest rate swap	1,522	–	1,522
	$ 6,497	$ 4,975	$ 1,522
Liabilities:			
Interest rate swap	$ 39	$ –	$ 39

	2022		
	Balance	Level 1	Level 2
Assets:			
Marketable securities	$ 4,679	$ 4,679	$ –
Interest rate swaps	1,947	–	1,947
	$ 6,626	$ 4,679	$ 1,947

The estimated fair values of cash and cash equivalents, trade accounts receivable, accounts payable and accrued expenses approximate their carrying values at December 31, 2023 and 2022 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.

11. PRODUCT WARRANTY

Certain 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.

Product warranty liabilities are recorded in Accrued liabilities in the Consolidated balance sheets. Changes in product warranty liabilities were as follows as of December 31, (in thousands):

	2023	2022	2021
Balance, beginning of period	$ 1,018	$ 1,000	$ 957
Accruals made during the period	1,317	1,274	1,618
Settlements made during the period	(1,092)	(1,256)	(1,575)
Balance, end of period	$ 1,243	$ 1,018	$ 1,000

12. SHARE-BASED AWARDS

The Company has a share-based compensation plan which was approved by its shareholders in April 2023 (the Plan) under which its Board of Directors may grant to key employees, officers and directors share-based awards including restricted stock awards (RSAs), stock options and stock appreciation rights (SARs). RSAs granted under the plan generally vest ratably over a three-year period with the first one-third of the grant vesting one year after the date of grant. Dividends are paid on RSAs. Stock options granted expire 10 years from the date of grant.

The Company recognizes the cost of its share-based awards in its Consolidated statements of income. The cost of each share-based equity award is based on the grant date fair value. Share-based award expense is recognized on a straight-line basis over the service period of each separately vesting tranche within the awards. The expense recognized reflects the number of awards that are ultimately expected to vest based on the service requirements of each award. Total share-based award expense recognized by the Company for the years ended December 31, 2023, 2022 and 2021, was $0.5 million, $0.3 million and $0.3 million, respectively. As of December 31, 2023, there were 0.6 million shares available for future awards under the Plan.

Restricted Stock Awards: The fair value of RSAs settled in stock is determined based on the market price of the Company's stock on the grant date. The activity for these awards for the year ended December 31, 2023 was as follows:

	Shares	Weighted-Average Fair Value per Share
Nonvested, beginning of period	54,674	$ 12.36
Granted	41,533	$ 12.73
Vested	(25,572)	$ 12.59
Forfeited	(1,750)	$ 13.16
Nonvested, end of period	68,885	$ 13.15

As of December 31, 2023, there was $0.4 million of unrecognized compensation cost related to RSAs that is expected to be recognized over a weighted-average period of 1.8 years.

Stock Options: The fair value of the Company's stock option awards is re-measured at each reporting period using a Black-Scholes option-pricing model and are recorded on the Company's Consolidated Balance Sheet as a liability award. The Company uses historical volatility to determine the expected volatility of its stock. The risk-free rate for periods within the contractual life of the option is based on the yield curve of a zero-coupon U.S. Treasury bond at the time of grant. The Company uses historical data to estimate stock option exercises and forfeitures within its valuation model. The expected term of options granted is derived from historical exercise experience. Stock options have not been granted since 2019.

The stock option transactions for the year ended December 31, 2023 were as follows:

	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	213,450	$ 17.02
Granted	–	–
Exercised	–	–
Forfeited	(31,100)	$ 17.84
Outstanding, end of period	182,350	$ 16.89
Exercisable, end of period	182,350	$ 16.89

Options outstanding and exercisable at December 31, 2023, have exercise prices between $14.52 and $21.70. The weighted- average remaining contractual life of Options outstanding and exercisable was 3.0 years.

13. EMPLOYEE BENEFIT PLANS AND OTHER POST-RETIREMENT BENEFITS

The Company maintains a non-contributory defined benefit pension plan and a post-retirement healthcare benefit plan. The plans cover certain eligible employees and retirees of the Company and its subsidiaries.

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.

Obligations and funded status: The changes in the benefit obligation, fair value of plan assets and the funded status of the Company's pension and post-retirement healthcare plans as of the Company's measurement dates of December 31, were as follows (in thousands):

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation, beginning of period	$133,100	$172,451	$ 959	$ 1,219
Service cost	–	225	18	24
Interest cost	6,206	4,266	39	27
Actuarial losses (gains)	1,221	(35,427)	(116)	(239)
Plan amendment	–	890	–	–
Benefits paid	(9,301)	(9,305)	(51)	(72)
Benefits obligation, end of period	$131,226	$133,100	$ 849	$ 959
Change in plan assets:				
Fair value of plan assets, beginning of period	$131,911	$180,425	$ –	$ –
Return on plan assets, net of expenses	11,596	(32,209)	–	–
Contributions	–	–	–	–
Benefits paid	(9,301)	(9,305)	–	–
Fair value of plan assets, end of period	134,206	131,911	–	–
Funded status of the plan	$ 2,980	$ (1,189)	$ (849)	$ (959)

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2023	2022	2023	2022
Funded status as recognized on the Consolidated balance sheets:				
Other long-term assets	$ 2,980	$ –	$ –	$ –
Other long-term liabilities	$ –	$ (1,189)	$ (849)	$ (959)
Amounts included in Accumulated other comprehensive loss, net of tax:				
Prior service cost	$ 513	$ 650	$ –	$ –
Actuarial losses (gains)	$ 25,434	$ 28,462	$ (137)	$ (64)

During 2023, plan funded status improved as a result of overall market conditions which caused an increase in plan assets greater than expected returns on plan assets. A 20-basis point decrease in the discount rate from 2022 to 2023 had an inverse effect on plan funded status by increasing projected liabilities. The net impacts of asset performance and the change in the discount rate increased the funded status of the pension by $4.2 million versus the prior year, resulting in a funded status of $3.0 million.

During 2022, plan funded status was negatively impacted by overall market conditions which caused a decline in plan assets versus expected returns on plan assets. A 235-basis point increase in the discount rate from 2021 to 2022 had an inverse effect on plan funded status by decreasing projected liabilities. The offsetting impacts of asset performance and the change in the discount rate reduced the funded status of the pension by $9.2 million, resulting in an underfunded status of $1.2 million.

Benefit Costs: Service cost is included in Cost of goods sold in the Consolidated statements of income. Non-service cost components of net periodic benefit cost are included in Non-service related pension credit in the Consolidated statements of income. Components of net periodic benefit costs for the Company's defined benefit plans for the years ended December 31, were as follows (in thousands):

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2023	2022	2023	2022
Service cost	$ –	$ 225	$ 18	$ 24
Interest cost	6,206	4,266	39	27
Expected return on plan assets	(6,441)	(6,101)	–	–
Amortization of unrecognized:				
Prior service credit	178	46	–	–
Net loss (gain)	–	1,659	(21)	–
Net periodic benefit (credit) cost	$ (57)	$ 95	$ 36	$ 51

The expected return on plan assets is based on historical returns as well as future expected returns for each asset class based on the target asset allocation of the pension trust.

Assumptions: Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost at December 31, were as follows:

	Pension Benefits		Post-Retirement Healthcare Benefits	
	2023	2022	2023	2022
Assumptions for benefit obligations:				
Discount rate	4.70%	4.90%	4.72%	4.91%
Rate of compensation increase	0.00%	0.00%	N/A	N/A
Assumptions for net periodic benefit cost:				
Expected return on plan assets	4.25%	4.25%	N/A	N/A
Discount rate	4.90%	2.55%	4.90%	2.55%
Rate of compensation increase	0.00%	0.00%	N/A	N/A

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.

It is a policy of the Company that the pension trust does not invest in the Company's stock. While 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 as of December 31, 2023 and 2022. 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, 2023 and 2022, the asset allocation was approximately 20% equity and 80% fixed income. The asset allocation strategy, as approved by the Employee Post-Retirement 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 10 – Fair Value) as measured on a recurring basis as of December 31, 2023 and 2022 (in thousands):

	2023		
	Fair Value	Level 1	Level 2
Mutual Funds:			
Fixed income	$ 164	$ 164	$ –
Domestic equities	16,235	16,235	–
International equities	10,903	10,903	–
Money market	2,549	2,549	
Corporate bonds	50,218	–	50,218
U.S. Treasury bonds	53,561	53,561	–
Other fixed income	576	–	576
	$134,206	$83,412	$50,794

	2022		
	Fair Value	Level 1	Level 2
Mutual Funds:			
Fixed income	$105,007	$105,007	$ –
Domestic equities	15,476	15,476	–
International equities	10,660	10,660	–
Cash	768	768	–
	$131,911	$131,911	$ –

The pension plan did not have any Level 3 assets as of December 31, 2023 and 2022.

Future contributions and benefit payments: Based on the funded status of the qualified pension plan, there is no requirement for the Company to make contributions to the qualified pension plan in 2024. The Company's future expected benefit payments as of December 31, 2023 were as follows (in thousands):

	Pension Benefits	Post-Retirement Healthcare Benefits
2024	$ 9,919	$ 71
2025	$ 9,965	$ 87
2026	$ 10,032	$ 113
2027	$ 10,077	$ 124
2028	$ 9,985	$ 106
2029-2033	$ 47,855	$ 362

Multi-Employer Plan: 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 2023 or 2022. 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.

	Funded Status (1)		Company Contributions	
	2023	**2022**	**2023**	**2022**
Steelworkers Pension Trust EIN/Plan Number 23-6648508-499	94.8%	90.1%	$ 55	$ 94

(1) The plan was valued as of January 1 of the preceding year; 2022 is the most recently available.

The Steelworkers Pension Trust was considered "Safe" for 2023 per the Pension Protection Act of 2006 because of the 2022 funded status being over 80%.

Defined Contribution Plans: The Company has various defined contribution benefit plans that in total cover substantially all full- time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company makes additional contributions to the plans on behalf of the employees and expensed $1.7 million, $1.3 million and $1.2 million during 2023, 2022 and 2021, respectively.

Other Plans: 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 impact associated with holding these securities was a gain of $0.7 million in 2023, an $0.8 million loss in 2022 and a gain of $0.6 million in 2021, which was recognized in Interest and investment (loss) income in the Company's Consolidated statements of income. Trust assets were $4.4 million and $3.6 million as of December 31, 2023 and 2022, respectively, and included in Other long-term assets on the Company's Consolidated balance sheets. Trust assets are recorded at fair value using Level 1 inputs (see Note 10). The liabilities to employees were $4.4 million and $3.6 million as of December 31, 2023 and 2022, respectively, and included within Other long-term liabilities in the Company's Consolidated balance sheets. Adjustments to this liability caused by changes in the value of the marketable securities was a $0.7 million gain in 2023 and a $0.8 million loss in 2022 and are classified within selling, general, and administrative expenses.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in Accumulated other comprehensive loss for the years ended December 31, were as follows (in thousands):

2023				
	Pension Liability	**Post-Retirement Medical Liability**	**Interest Rate Swap**	**Total**
Balance, beginning of period	$ (29,112)	$ 64	$ 1,499	$ (27,549)
Other comprehensive income before reclassifications	3,933	95	234	4,262
Income tax expense	(905)	(22)	(54)	(981)
	3,028	73	180	3,281
Reclassifications:				
Realized gains	–	–	(698)	(698)
Amortization: (a)				
Prior Service Costs	178	–	–	178
Actuarial Loss	–	–	–	–
Income tax benefit (b)	(41)	–	161	120
	137	–	(537)	(400)
Other comprehensive income (loss)	3,165	73	(357)	2,881
Balance, end of period	$ (25,947)	$ 137	$ 1,142	$ (24,668)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

2022	Pension Liability	Post-Retirement Medical Liability	Interest Rate Swap Liability	Total
Balance, beginning of period	$ (22,131)	$ (119)	$ (10)	$ (22,260)
Other comprehensive (loss) / income before reclassifications	(10,772)	238	1,766	(8,768)
Income tax benefit / (expense)	2,478	(55)	(406)	2,017
	(8,294)	183	1,360	(6,751)
Reclassifications:				
Realized losses	–	–	193	193
Amortization: [a]				
Prior Service Costs	46	–	–	46
Actuarial Loss	1,659	–	–	1,659
Income tax benefit [b]	(392)	–	(44)	(436)
	1,313	–	149	1,462
Other comprehensive (loss) income	(6,981)	183	1,509	(5,289)
Balance, end of period	$ (29,112)	$ 64	$ 1,499	$ (27,549)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

2021	Pension Liability	Post-Retirement Medical Liability	Interest Rate Swap Liability	Total
Balance, beginning of period	$ (28,090)	$ (165)	$ (788)	$ (29,043)
Other comprehensive income before reclassifications	5,003	52	575	5,630
Income tax expense	1,151	(12)	(132)	(1,295)
	3,852	40	443	4,335
Reclassifications:				
Realized losses	–	–	435	435
Amortization: [a]				
Prior Service Costs	–	18	–	18
Actuarial Loss / (Gain)	2,738	(10)	–	2,728
Income tax benefit [b]	(631)	(2)	(100)	(733)
	2,107	6	335	2,448
Other comprehensive income	5,959	46	778	6,783
Balance, end of period	$ (22,131)	$ (119)	$ (10)	$ (22,260)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 13.
(b) Tax benefits are adjustments to deferred taxes within the Consolidated statements of income.

15. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable at any given time under standby letters of credit pertaining to workers' compensation self-insurance coverage, employee medical insurance, international product purchases, and other business guarantees. In the normal course of business, this amount is less than $2.5 million, and at December 31, 2023 and 2022, the amount outstanding was $1.8 million and $1.6 million, respectively.

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, and which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. While most claims historically 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, which may include an award of punitive damages. Any such verdict in its totality would be subject to a potential reduction or reversal of verdict on appeal, reduction by set-offs, and/or a reduction of liability following allocation of fault among parties.

The Company conducts its various businesses in separate subsidiaries, and, as a result, it believes that any potential liability of a subsidiary because of a particular claim would be limited to such subsidiary. 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 actions and claims, 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.

On August 3, 2023, a jury rendered a verdict against one of the Company's subsidiaries for asbestos-related damages. The verdict equated to $31.5 million of compensatory damages and $6.5 million of punitive damages. The damage values are gross amounts without regard to setoffs, the potential for apportionment among parties (including plaintiff), and/or post-trial rulings that may reduce the damages. The subsidiary has submitted post-trial motions seeking remittitur and reduction of the verdict. No judgment has been entered at this time. The subsidiary intends to pursue an appeal of such judgment if the value is not reduced in line with the applicable case law and settlement trends. As of December 31, 2023, the Company believes it has sufficient reserves for this matter and the compensatory damages and appeal bond, if necessary, are covered by the applicable insurance policies. Verdicts of this nature are subject to potential reduction or reversal as seen in historic instances. 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 $42.0 million and $6.0 million before offsets, filed post-trial motions seeking to reduce and/or overturn the verdicts, and requesting the court to grant new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42.0 million to less than $7.0 million. Additionally, on May 15, 2015 the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2.0 million. Finally, on October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts.

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.

FIVE YEAR SUMMARY (IN MILLIONS, EXCEPT PER SHARE DATA) (UNAUDITED):

	2023	(As restated) 2022	(As restated) 2021	2020	2019
Net Sales	$ 253.0	$ 240.5	$ 218.5	$ 187.5	$ 212.3
Income before Income Taxes	$ 12.5	$ 7.2	$ 2.6	$ 8.5	$ 11.6
Income Tax Expense	$ 3.1	$ 1.8	$ 0.5	$ 1.9	$ 2.8
Net Income	$ 9.4	$ 5.4	$ 2.1	$ 6.6	$ 8.8
Diluted Earning per Share	$ 2.02	$ 1.18	$ 0.45	$ 1.43	$ 1.91
Cash flow per Share (1)	$ 3.60	$ 2.26	$ 1.46	$ 2.39	$ 2.83
Net Cash Provided by Operating Activities	$ 21.1	$ 1.5	$ 10.7	$ 4.7	$ 12.0
Total Dividends Paid	$ 4.1	$ 4.1	$ 4.1	$ 4.1	$ 4.0
Dividends per Share	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88
Property, Plant, and Equipment, Net	$ 64.4	$ 60.0	$ 57.5	$ 52.5	$ 52.5
Capital Expenditures	$ 9.4	$ 7.3	$ 9.5	$ 4.3	$ 6.6
Depreciation and Amortization	$ 5.0	$ 4.8	$ 4.5	$ 4.3	$ 4.1
Current Assets	$ 97.5	$ 101.5	$ 87.7	$ 85.8	$ 79.2
Current Liabilities	$ 37.9	$ 37.0	$ 34.3	$ 29.5	$ 27.8
Working Capital	$ 59.6	$ 64.5	$ 53.4	$ 56.3	$ 51.4
Total Debt	$ 27.4	$ 33.7	$ 21.8	$ 18.3	$ 14.5
Shareholders' Equity	$ 101.4	$ 92.6	$ 96.3	$ 91.3	$ 86.9
Book value per share	$ 21.85	$ 20.03	$ 20.92	$ 19.89	$ 18.99
Adjusted book value per share (2)	$ 27.18	$ 26.01	$ 25.77	$ 26.24	$ 25.73
Outstanding common shares (in thousands)	4,629	4,606	4,587	4,571	4,562

(1) Cash Flow per Share is calculated as net income plus depreciation and amortization less pension income, divided by weighted-shares outstanding.
(2) Adjusted Book Value per Share is calculated as Shareholders' Equity excluding AOCL, divided by weighted-shares outstanding.

INVESTOR & SHAREHOLDER 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, regardless of class or combination of classes (shares held by family relatives have not been combined in computing this percentage). The Company issues periodic news releases, quarterly unaudited statements, a yearly Annual Report with audited consolidated financial statements and a Proxy Statement. Interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023. 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 consolidated financial statements have been omitted from interim reporting.

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 industrial 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.

CORPORATE GOVERNANCE

The Board of Directors (the Board) of the Company comprises nine 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 member of the Board is the Company's President and Chief Executive Officer. Directors are selected based on their individual qualifications and experience, the overall balance of the Board's background and experience, and the 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 Audit and Risk Committee, the Nominating and Governance Committee and the Human Resources 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 SHAREHOLDER INFORMATION

Shareholder 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:

Computershare Trust Company, N.A.
150 Royall Street
Suite 101
Canton, MA 02021
(866) 595-6048 (U.S.)
(781) 575-2798 (non-U.S.)

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., a reporting service for over-the-counter stocks. Stock quotation information is available through stock reporting services on the internet.

Annual Meeting

Burnham Holdings, Inc.'s Annual Meeting will be held virtually via a secure website meeting platform on Monday, April 22, 2024, beginning at 11:30 a.m. eastern. Further details will be provided in March 2024 on our website, www.burnhamholdings.com.

Corporate Data

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

For further information contact:
Nicholas I. Ribich, Vice President and Chief Financial Officer
Telephone: (717) 390-7812
Fax: (717) 390-7852
Email: nribich@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

BOARD OF DIRECTORS

E. Philip Wenger, Donald A. Stern, Douglas S. Brossman, Laura T. Wand, Christopher R. Drew, John W. Lyman, J. David W. Reeves, William F. Dodge, II, Christopher E. Pruitt

AUDIT & RISK COMMITTEE

E. Philip Wenger - Chair
John W. Lyman
Douglas S. Brossman
Christopher E. Pruitt
Donald A. Stern
Laura T. Wand

HUMAN RESOURCES COMMITTEE

Laura T. Wand - Chair
John W. Lyman
Douglas S. Brossman
Christopher R. Drew
E. Philip Wenger

NOMINATING & GOVERNANCE COMMITTEE

Donald A. Stern - Chair
John W. Lyman
William F. Dodge, II
Christopher R. Drew
J. David W. Reeves

PROXY COMMITTEE

William F. Dodge, II - Chair
John W. Lyman
J. David W. Reeves
Donald A. Stern

OFFICERS OF BURNHAM HOLDINGS, INC.

Nicholas I. Ribich	Vice President and Chief Financial Officer
Paul D. Spradling	Vice President of Operations
Samantha L. Fugagli	General Counsel and Secretary
Christopher R. Drew	President and Chief Executive Officer
Bryan J. O'Toole	Vice President of Business Development
Melissa M. Devitz	Vice President of Human Resources

The Electric Heating Team (L to R): Nelson "Pete" Torres, Lead Laboratory Technician, Ed Johann, Senior Engineering Advisor, Chris Altenderfer, Manager of Electric Heating Development, and Henok Abebe, Product Development Engineer.

PUTTING NEW SERVICE OFFERING IN MOTION

BURNHAM HOLDINGS MAKES STRATEGIC INVESTMENTS TO EXPAND INDUSTRIAL SERVICE CAPABILITIES

Burnham Holdings Inc. ("BHI") used 2023 to invest in expanding its industrial service offerings, helping drive new areas of growth and build closer, more diverse relationships with industrial customers. BHI took two significant steps to advance this strategy. First was the full-scale launch of the Thermal InMotion rental boiler business, which provides a fleet of mobile boiler rooms and trailer-mounted rental systems for companies that need equipment due to sudden failures, system upgrades and other situations.

BHI also acquired CSI Services of York, a well-established mechanical contracting company that provides service, installation and repair of boilers, pressure vessels, piping systems and industrial combustion applications for customers in major industries in Maryland, Pennsylvania and nearby regions.

Together, Thermal InMotion and CSI are a powerful combination of new resources, expertise and fabrication systems that target a critical industrial need: helping major manufacturers service, maintain and upgrade their critical boiler and combustion systems.

In this interview, we discuss with Greg Seifert, general manager of CSI Services, Jim Cipollone, president of Thermal InMotion, and Bryan O'Toole, vice president of business development for BHI, the key reasons why BHI acquired CSI Services and how BHI will use them to grow its industrial service business and build better, more in-depth relationships with these customers.

First, congratulations, Greg, and we welcome CSI to the BHI family. Tell us a little about the history of the company and the key capabilities CSI offers.

Greg Seifert: We originally began, about 35 years ago, as an industrial service and repair business; we also represented manufacturers, including Johnston Boiler, Litchfield, Autoflame and others. Over that time, we've also become a mechanical contracting and fabrication shop, building custom boiler room skid units and mobile boiler plants.

What would you say are the key capabilities that CSI Services has developed in that time?

Greg Seifert: It starts with the expertise of our people, their ability to cover all the major bases as a mechanical contractor and service organization. If it's a whole new boiler room, we help the customer design the boiler room; if it's a retrofit, we have to figure out how to fit our equipment into the existing space. And if at all possible, for many of our customers, we have to figure out how to do it with minimal shutdown time, supply the boiler, all the piping, electrical, work with the inspectors to ensure it satisfies regulations and make it all come together.

Jim Cipollone: As BHI was launching our Thermal InMotion boiler rental business, we began contracting with CSI to engineer and build our rental units because of their success building boiler skids. So we knew that they had strong engineering skills and the connections with many customers that would be valuable for BHI.

CSI offices, service shop and fabrication plant in York, PA

CSI's technical expertise was clearly valuable. What other strategic advantages does CSI bring to BHI?

Greg Seifert: Through our service business and our mechanical contracting work, we've built very successful, long-term relationships with customers, some lasting 30, 35 years. And it's not just boilers; CSI works on their steam systems and components, ovens, dryers – anything that has to do with steam, gas or combustion, they trust us to service. We also get involved at the highest level of capital investment planning at many sites. They trust CSI to sit down with them and provide our expertise on where they need to invest and get the most value for the systems they need going forward.

> "Industrial customers... want a company with the resources CSI has from a mechanical contracting standpoint to just take the project and do everything..."
>
> - Jim Cipollone

Bryan O'Toole: Since we started working with CSI, we've learned that their long-time customers treat Greg's people as an extension of their own organizations. At a lot of companies, they've done away with that kind of expertise, and they count on CSI to sit down with them and advise them on what they need. The customer then turns around and says, OK, you provide it for me. That's going to open business for BHI that, in the past, we most likely would never have seen before.

Jim Cipollone: This has already happened a couple of times. When we rented a heating system to a data center whose boilers were down, they immediately asked us to quote a replacement for them. That project will turn into an equipment sale, removal of the old equipment and installing the new system and ultimately a long-term service relationship with backup rentals. We wouldn't be able to do that without CSI being part of our company.

What unique strengths does CSI have that can help BHI build a stronger industrial service offering in concert with Thermal InMotion?

Jim Cipollone: Thermal InMotion was created in 2022 to provide mobile boiler rooms to produce steam, hydronic hot water, potable hot water or a combination of all three for plants that need these systems when they have a failure of their own systems or as a temporary bridge between order placement and delivery of a new system.

> "Through our service business and our mechanical contracting work, we've built very successful, long-term relationships with customers, some lasting 30, 35 years."
>
> - Greg Seifert

Right now, CSI is building us rental units to help expand that business, especially at companies that face major shutdowns without a working boiler. I think a big advantage is that, when these rental opportunities present themselves, we can then repair or replace the boiler, turning a rental situation into a full project.

Greg Seifert: We recently had a major industrial customer whose only boiler blew out – this was before Thermal InMotion. First thing we did was get a rental boiler in place, then we took a look with the customer to determine what kind of repair we could accomplish. Ultimately, we put together a complete replacement proposal, with all the project's components – wiring, controls, a new, more powerful boiler – a yearlong project that started with an emergency call.

Bryan O'Toole: One of the things that has surprised me as we've moved forward with Thermal InMotion and CSI is how frequently customers seek to purchase a complete mobile boiler unit. I think we're going to see more opportunities like that as major organizations such as hospitals are looking at their contingency plans and deciding it makes sense to already have a backup system in place. And because of CSI's in-house engineering and fabrication capabilities, we can meet that demand.

A Burnham boiler inside a Thermal InMotion trailer

Greg, CSI began working more closely with BHI by building mobile boiler rooms for Thermal InMotion. How has CSI developed expertise in this kind of unique fabrication?

Greg Seifert: Every boiler room is different. You have to be able to adapt. On the mobile side, it's even more custom, because you have to fit a lot into a small area. And you still have to comply with all the rules and regulations, which is something our teams, from years designing, fabricating and installing complete boiler rooms, have established really invaluable experience in.

> "Since we started working with CSI, we've learned that their long-time customers treat Greg's people as an extension of their own organizations."
>
> - Bryan O'Toole

Jim Cipollone: That regulatory background is really valuable for Thermal InMotion, because it's the same set of regulations that apply to rental boilers. Different jurisdictions have different regulations based on technical factors such as the size of the boiler or whether it operates at certain pressures. With CSI being part of the Thermal InMotion business, we can leverage that expertise and be more efficient in serving our customers.

How will the combination of CSI and Thermal InMotion set the stage for BHI to develop new opportunities for growth?

Greg Seifert: In the last few years, the industry has seen a huge increase in rentals because many operations are downsizing their maintenance teams and doing less maintenance. That has led some companies to have us put a technician in their boiler room once, twice a week, because our people have the experience, the skill set they need.

Jim Cipollone: For Thermal InMotion, engagement with customers can start as a rental opportunity, but with industrial customers lacking that technical expertise in-house, they want a company with the resources CSI has from a mechanical contracting standpoint to just take the project and do everything, including the subcontracting and interaction with the inspectors.

The same thing is going to happen the other way around: Long-time CSI Service customers will probably end up using Thermal InMotion because of their relationship with CSI.

As you move forward, what needs to be done to make CSI fully integrated into the BHI family?

Greg Seibert: Everyone recognizes that we at CSI Services bring a lot to the table and BHI also brings a lot to the table. It's a process to mesh the two businesses together, and I think we're making progress. Being part of a larger organization will create greater opportunities for CSI acquiring components from a larger pool of OEMs. It will also be extremely beneficial to add the ability to go out to customers and say we have rental boilers sitting in the shop.

Jim Cipollone: I look forward to being able to market our comprehensive capabilities as Thermal InMotion, not just when rental opportunities and opportunities in general come up. We're learning and we're seeing what we're capable of, and we're excited about the opportunity to target industrial projects from all angles.

Bryan O'Toole: We're really excited about the team at CSI becoming part of the Burnham family. The fact that we could add such high-quality professionals is a big plus, and we're excited about extending our reach into the industrial segment of the business. With the relationships CSI has already in place, as well as the ones we will build as part of Thermal InMotion, we'll understand better what those customers need, and we can improve our product offering with that knowledge, helping Burnham continue to grow.

Greg Seifert
General Manager of CSI Services

Jim Cipollone
President of Thermal InMotion

Bryan O'Toole
Vice President of Business Development, Burnham Holdings, Inc.

STAYING AHEAD:
NEW RESIDENTIAL HEAT PUMP LAUNCHED

Electric Heating Team builds development and testing lab to guide creation of BHI's first cold-climate residential heat pump

Recent regulatory changes and government financial incentives for reducing fossil fuel use in home heating applications have increased demand for residential electric heat pumps.

This prompted Burnham Holdings to launch a high-quality, high-performance electric heat pump suited for colder North America regions. The Electric Heating Team was created to build a fully equipped lab to test potential cold-climate heat pump products, identify the best electric heat pump partner and prepare for market launch.

The Electric Heating Team (L to R): Nelson "Pete" Torres, Lead Laboratory Technician, Ed Johann, Senior Engineering Advisor, Chris Altenderfer, Manager of Electric Heating Development, and Henok Abebe, Product Development Engineer.

Focusing on air-to-water heat pump solution

According to Bryan O'Toole, vice president of business development at Burnham Holdings, sales channel partners and end-user customers frequently ask whether Burnham Holdings planned to offer residential electric heat pumps.

"These customers think about us when they think of space heating using water or steam. That's why we focused on a hydronic — air-to-water — solution," O'Toole said.

Heat pumps transfer heat from outdoor air to a hydronic loop for interior heating. This typically requires heating water to 180 degrees Fahrenheit (F) for the comfort level homeowners expect.

"For most of the year, outdoor temperatures allow air-to-water electric heat pumps to comfortably heat homes," said Chris Altenderfer, manager of electric heating development, who heads up the Electric Heating Team. However, some locations' coldest days can limit residential heat pumps' ability to supply comfortable heating.

"To serve these target markets, we had to deliver a cold-climate heat pump able to reliably provide the comfort people expect in their homes," he said. Burnham Holdings chose to research and partner with an existing electric heat pump manufacturer with a proven cold-climate product.

Creating the Electric Heat Lab

The Electric Heating Team built — virtually from scratch — a heat pump lab that could rigorously test and evaluate candidate systems to find the right product. The Lab has four electrical test stations for cycling the heat pumps through a full range of electrical conditions.

"Our electrical system in this country is pretty 'noisy' compared to other parts of the world. Surges can wipe out the microprocessors that drive many of the heat pump's systems, so we had to run all kinds of scenarios to see if the system we selected would hold up," Altenderfer said.

The Lab also includes a large cold room able to reach temperatures of -20 F, simulating the most extreme temperatures and assessing how well the heat pump would work. The heat pump selected has been tested for nine months with close to 11,000 cycles, simulating several years' worth of use in the field.

Selecting the right partner

The new heat pump product will be marketed under the "Ambient" band name.

Altenderfer's team assessed upward of 25 different companies in Asia and Europe with cold-climate residential heat pumps until they found the right system and supplier. "We evaluated spec sheets, pricing, lead times and what it would take to get third-party listing for their products here," he said. Details were important, even down to the wiring insulation's quality. As BHI's first entry into this market, it was essential to identify a heat pump partner who could meet the company's high standards.

To ensure homeowner satisfaction and comfort levels, a backup electric heat source is built into the heat pump's buffer tank to provide supplemental heat on the coldest days. This added solution enables the company to offer one of the first all-electric residential air-to-water heat pumps in the U.S. able to consistently supply 140 F heating.

The Ambient system is also offered as a "dual-fuel" home heating platform: the heat pump can be installed in a home with an existing natural gas, fuel oil or electric boiler. The electric heat pump heats the home most of the time, switching to the legacy boiler when outdoor temperatures drop exceptionally low.

Ambient's launch in early 2024 is an important milestone for Burnham Holdings. As this product line continues to evolve in the future, we will expand the brands and channels through which we market this technology. It's an important addition to the BHI product portfolio, which prides itself on having a solution for any hydronic heating need.