

Corporate Data

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Common Stock

The Common Stock of Burnham Holdings, Inc. is traded under the symbol "BURCA" on the electronic Pink Sheets, and is listed by the OTC Markets Group, Inc., reporting service for over-the-counter stocks.

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BURNHAM HOLDINGS, INC.

REPORT TO STOCKHOLDERS

**Three Months Ended
March 27, 2016**

BURNHAM HOLDINGS, INC.

To Our Shareholders:

Burnham Holdings, Inc. performance in the first quarter of 2016 included the following:

- Completion of development of additional high efficiency condensing products for both our residential and commercial markets, rounding out one of the broadest product portfolios in the industry.
- Net sales were \$33.2 million compared to \$38.5 million in the first quarter of 2015.
- Gross profit as a percentage of sales was 18.2% vs. 19.6% in last year's first quarter.
- Total debt was reduced by \$3.8 million, versus first quarter of 2015; contributing to reduction of related interest expense of \$57 thousand.
- Net loss for the quarter was \$(1.1) million, compared to the \$(0.6) million loss recorded in the first quarter last year.

Financial Results

First quarter 2016 sales were \$33.2 million, a decline of 14% from the first quarter of 2015. The market softness of last winter caused by mild temperatures and low fuel prices carried over into the first quarter, with sales in our residential businesses down by 18% compared to last year. Sales in our commercial business were essentially flat, off 2% compared to the same period in 2015. Net loss in the first quarter was \$(1.1) million, or \$(0.25) per share, compared to a net loss of \$(588) thousand, or \$(0.13) per share, reported for the first quarter of 2015. Implementation of appropriate cost control measures and operational productivity gains helped reduce the negative impact on net results stemming from the lower sales revenue.

Cost of goods sold ("COGS") as a percentage of sales for the current quarter was 81.8%, compared to the first quarter 2015 level of 80.4%. The increase in COGS was mainly due to the mix of residential product sales, as material costs were basically flat compared to last year. Selling, general and administrative expenses were down in dollar terms in the current quarter (\$7.6 million vs. \$8.2 million) although they

were higher as a percentage of sales (23.0% vs. 21.3%) compared to 2015. Other expenses, which are comprised mainly of net interest expense, were lower by \$57K compared to the first quarter of 2015. This was the result of lower interest rates with respect to our revolving credit line and interest rate swap agreements.

Generally, the first quarter normally provides the lowest quarterly sales of our fiscal year (normally less than 20% of full year sales), and therefore caution is advised when using the financial results from the three month period as an indicator of total year expectations. Although demand for HVAC equipment was impacted this past winter by unseasonably warm weather and low energy prices, the long-term outlook for boilers, furnaces and associated equipment remains solid. Our core markets retain a large installed base of heating equipment that will require replacement. Our recent investments in increased product development in both our residential and commercial businesses will allow our subsidiaries to introduce new residential and commercial, high efficiency boiler products during the second half of the year. These new product offerings, coupled with our strong line-up of existing products, position our subsidiaries with one of the strongest and broadest product portfolios in the industry, and is positioned to drive second half sales.

Balance Sheet Condition

The Company's balance sheet has appropriate levels of working capital to support current business activity. Long-term debt was lower in this year's first quarter at \$12.2 million, a reduction of \$3.8 million compared to the first quarter of 2015. Cash provided by operations increased by \$7.0 million in the first quarter, mainly as a result of the lower amount of working capital needed to support the first quarter 2016 sales volume.

Douglas S. Brossman
President and CEO

Consolidated Statements of Income

(In thousands, except per share data)

(Data is unaudited (see Notes))

Three Months Ended
March 27, March 29,
2016 2015

Net sales	\$	33,185	\$	38,472
Cost of goods sold		27,158		30,938
Gross profit		6,027		7,534
Selling, general and administrative expenses		7,623		8,204
Operating income		(1,596)		(670)
Other income (expense):				
Interest and investment income		15		13
Interest expense		(206)		(261)
Other income (expense)		(191)		(248)
Income before income taxes		(1,787)		(918)
Income tax expense		(643)		(330)
NET INCOME	\$	(1,144)	\$	(588)
BASIC EARNINGS PER SHARE (Note 1)	\$	(0.25)	\$	(0.13)
DILUTED EARNINGS PER SHARE (Note 1)	\$	(0.25)	\$	(0.13)
COMMON STOCK DIVIDENDS PAID	\$	0.22	\$	0.22

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes))

		March		
	ASSETS	2016		2015
CURRENT ASSETS				
Cash and cash equivalents	\$	5,329	\$	4,913
Trade accounts receivable, less allowances		12,237		16,911
Inventories		47,103		48,878
Prepaid expenses and other current assets		2,121		2,770
TOTAL CURRENT ASSETS		66,790		73,472
PROPERTY, PLANT AND EQUIPMENT, net		47,638		44,784
DEFERRED INCOME TAXES (Note 4)		-		148
OTHER ASSETS, net		22,489		22,771
TOTAL ASSETS	\$	136,917	\$	141,175
LIABILITIES AND STOCKHOLDERS' EQUITY		2016		2015
CURRENT LIABILITIES				
Accounts and taxes payable & accrued expenses	\$	18,072	\$	19,805
Current portion of long-term liabilities		184		232
Current portion of long-term debt		1,264		-
TOTAL CURRENT LIABILITIES		19,520		20,037
LONG-TERM DEBT		12,204		16,014
OTHER POSTRETIREMENT LIABILITIES (Notes 5 and 6)		25,886		28,656
DEFERRED INCOME TAXES (Note 4)		484		-
STOCKHOLDERS' EQUITY				
Preferred Stock		530		530
Class A Common Stock		3,478		3,466
Class B Convertible Common Stock		1,467		1,478
Additional paid-in capital		15,553		15,256
Retained earnings		109,329		106,157
Accumulated other comprehensive income (loss) (Note 5)		(33,529)		(32,488)
Treasury stock, at cost		(18,005)		(17,931)
TOTAL STOCKHOLDERS' EQUITY		78,823		76,468
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	136,917	\$	141,175

Consolidated Statements of Cash Flows

Three Months ended March

(in thousands and data is unaudited (see Notes))

2016**2015**

Net income	\$ (1,144)	\$ (588)
Depreciation and amortization	1,092	1,091
Pension and postretirement liabilities expense	77	44
Contributions to pension trust (Note 6)	(1,406)	(1,463)
Other net adjustments	(772)	(1,172)
Changes in operating assets and liabilities	4,827	(2,273)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,674	(4,361)
Net cash used in the purchase of assets	(764)	(196)
Proceeds from borrowings	(500)	5,500
Proceeds from stock option exercise and Treasury activity, net	3	78
Principal payments on debt and lease obligations	-	-
Dividends paid	(996)	(993)
INCREASE IN CASH AND CASH EQUIVALENTS	417	28
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,912	4,885
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,329	\$ 4,913

Notes To Financial Statements:

- (1) Basic earnings per share are based upon weighted average shares outstanding for the period. Diluted earnings per share assume the conversion of outstanding rights into common stock.
- (2) Common stock outstanding at March 27, 2016 includes 3,062,679 of Class A shares and 1,465,757 of Class B shares.
- (3) Mark-to-Market adjustments are a result of changes (non-cash) in the fair value of interest rate agreements. These agreements are used to exchange the interest rate stream on variable rate debt for payments indexed to a fixed interest rate. These non-operational, non-cash charges reverse themselves over the term of the agreements.
- (4) Accounting rules require that the funded status of pension and other postretirement benefits be recognized as a non-cash asset or liability, as the case may be, on the balance sheet. For December 31, 2015 and 2014, projected benefit obligations exceeded plan assets. The resulting non-cash presentation on the balance sheet is reflected in "Deferred income taxes", "Other postretirement liabilities", and "Accumulated other comprehensive income (loss)", a non-cash sub-section of "Stockholders' Equity" (See Note 10 of the 2015 Annual Report for more details).
- (5) In the first quarters of 2016 and 2015, the Company made voluntary pre-tax contributions of \$1.41 million and \$1.46 million, respectively to its defined benefit pension plan. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities"), and did not impact the Statements of Income.
- (6) Unaudited results, forward looking statements, and certain significant estimates and risks. This note has been expanded to include items discussed in detail within the Annual Report.

Unaudited Results and Forward Looking Statements. The accompanying unaudited financial statements contain all adjustments that are necessary for a fair presentation of results for such periods and are consistent with policies and procedures employed in the audited year-end financial statements. These consolidated financial statements should be read in conjunction with the Annual Report for the period ended December 31, 2015. Statements other than historical facts included or referenced in this Report are forward-looking statements subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected. We undertake no duty to update or revise these forward-looking statements.

Certain Significant Estimates and Risks. Certain estimates are determined using historical information along with assumptions about future events. Changes in assumptions for items such as warranties, pensions, medical cost trends, employment demographics and legal actions, as well as changes in actual experience, could cause these estimates to change. Specific risks, such as those included below, are discussed in the Company's Quarterly and Annual Reports in order to provide regular knowledge of relevant matters. Estimates and related reserves are more fully explained in the 2015 Annual Report.

Retirement Plans: The Company maintains a non-contributory defined benefit pension plan, covering both union and non-union employees, that has been closed to new hires for a number of years. Benefit accrual ceased in 2009, or earlier depending on the employee group, with the exception of a limited, closed group of union production employees. While not 100% frozen, these actions were taken to protect benefits for retirees and eligible employees, and have materially reduced the growth of the pension liability. Lancaster Metal Manufacturing, a Company subsidiary, also contributes to a separate union-sponsored multiemployer defined benefit pension plan that covers its collective bargaining employees. Variables such as future market conditions, investment returns, and employee experience could affect results.

Note (6) Certain Significant Estimates and Risks (continued from previous page)

Medical Health Coverage: The Company and its subsidiaries are self-insured for most of the medical health insurance provided for its employees, limiting maximum exposure per occurrence by purchasing third-party stop-loss coverage.

Retiree Health Benefits: The Company pays a fixed annual amount that assists a specific group of retirees in purchasing medical and/or prescription drug coverage from providers. Additionally, certain employees electing early retirement have the option of receiving access to an insured defined benefit plan at a yearly stipulated cost or receiving a fixed dollar amount to assist them in covering medical costs.

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. All policies and corresponding deductible levels are reviewed on an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle claims and attempt to resolve them to the benefit of both the Company and its insurance carriers. The Company reviews claims periodically in conjunction with administrators and adjusts recorded reserves as required.

General Litigation, including Asbestos: In the normal course of business, certain subsidiaries of the Company have been named, and may in the future be named, as defendants in various legal actions including claims related to property damage and/or personal injury allegedly arising from products of the Company's subsidiaries or their predecessors. A number of these claims allege personal injury arising from exposure to asbestos-containing material allegedly contained in certain boilers manufactured many years ago, or through the installation of heating systems. The Company's subsidiaries, directly and/or through insurance providers, are vigorously defending all open asbestos cases, many of which involve multiple claimants and many defendants, which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. While the large majority of claims have historically been resolved prior to the completion of trial, from time to time some claims may be expected to proceed to a potentially substantial verdict against subsidiaries of the Company. Any such verdict would be subject to appeal, any set-off rights and/or issues involving allocation of liability among various defendants. For example, on July 23, 2013 and December 12, 2014, New York City State Court juries found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages. The subsidiary, whose share of the verdicts amounted to \$42 million and \$6 million, respectively, before offsets, filed post-trial motions and appeals seeking to reduce and/or overturn the verdicts, and granting of new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from \$42 million to less than \$7 million. Additionally, on May 15, 2015, the trial court reduced the subsidiary's liability in the 2014 verdict to less than \$2 million. On October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts, with all such settlements being covered by applicable insurance. The Company believes, based upon its understanding of its available insurance policies and discussions with legal counsel, that all pending legal actions and claims, including asbestos, should ultimately be resolved (whether through settlements or verdicts) within existing insurance limits and reserves, or for amounts not material to the Company's financial position or results of operations. However, the resolution of litigation generally entails significant uncertainties, and no assurance can be given as to the ultimate outcome of litigation or its impact on the Company and its subsidiaries. Furthermore, the Company cannot predict the extent to which new claims will be filed in the future, although the Company currently believes that the great preponderance of future asbestos claims will be covered by existing insurance. There can be no assurance that insurers will be financially able to satisfy all pending and future claims in accordance with the applicable insurance policies, or that any disputes regarding policy provisions will be resolved in favor of the Company.

Litigation Expense, Settlements, and Defense: The 2016 three-month charges for all uninsured litigation of every kind, was \$59 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the three-months were approximately \$22 thousand. Prior year's settlements and expenses, including amounts for self-insured asbestos cases, are disclosed in the 2015 Annual Report.

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

Environmental Matters: The operations of the Company's subsidiaries are subject to a variety of Federal, State, and local environmental laws. Among other things, these laws require the Company's subsidiaries to obtain and comply with the terms of a number of Federal, State and local environmental regulations and permits, including permits governing air emissions, wastewater discharges, and waste disposal. The Company's subsidiaries periodically need 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 response actions at disposal areas containing waste materials from their operations. In the past five years, the Company has not received any notice that it or its subsidiaries might be responsible for remedial clean-up actions under government supervision. However, two pre-2008 issues covered by insurance policies remain open as of this date and are fully disclosed in the year-end 2015 Annual Report. 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.