

## 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.

For further information contact:  
Douglas B. Springer,  
Vice President, Chief Financial Officer.

## Transfer Agent

Fulton Financial Advisors, N.A.  
One Penn Square  
Lancaster, PA 17602  
(717) 291-2562

Inquiries about stock certificates, stock transfers, dividend payments or address changes should be directed to Fulton Financial at the above address.

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. Careful consideration should be given to cautionary statements made in our 2011 Annual Report. We undertake no duty to update or revise these forward-looking statements.

[BURNHAM HOLDINGS, INC.](http://www.burnhamholdings.com)

# BURNHAM HOLDINGS, INC.



**Three Months Ended  
April 1, 2012**

## To Our Shareholders:

First quarter sales were \$36.6 million, an increase from the \$36.3 million reported in 2011. In light of the current weak economic conditions that not only have impacted Burnham Holdings but also the overall industry, and the unusually warm weather experienced throughout our residential selling markets; this sales increase, while small, was encouraging. With the seasonal nature of our businesses, the first quarter normally provides the lowest quarterly sales of our fiscal year (typically less than 20% of the yearly sales), and therefore we caution using first quarter results as an indicator of total year expectations. Although current business conditions remain challenging, we are optimistic about longer-term prospects for the business. With a firm foundation based on our core principles and philosophy, Burnham Holdings is financially and operationally strong. Existing boilers and furnaces will continue to be replaced and systems will be upgraded over time due to age or operating costs. Our powerful lineup of high-efficiency residential and commercial products offered through our subsidiaries, positions us well in the market. We are able to provide top-quality, high-value equipment for virtually any application.

## Financial Results

The loss for the first quarter of 2012 was \$(947) thousand, or \$(0.21) per share, which was better than the loss of \$(984) thousand, or \$(0.22) per share reported for the same quarter of 2011. Cost of goods sold ("COGS") as a percentage of sales for the current quarter was 80.7%, better than last year's first quarter of 81.2%, and was the lowest percentage for the first quarter over the last five years. This COGS percentage decline reflects our efforts to continually and systematically match our product pricing and our cost structure to remain competitive in the market, while maintaining our gross profit margins. Selling, administrative, and general expenses were almost identical to the prior year in dollars, \$8.2 million versus

\$8.1 million in 2011 (a slight increase on the increased sales volume). Our interest expense was also flat for both years at a little over \$300 thousand.

## Balance Sheet Condition

The Company's balance sheet has appropriate levels of working capital consistent with current business activity. The Statement of Cash Flows presents net cash used in operations of \$2.0 million compared to prior year's cash used of \$2.2 million, with the normal historical increases in inventory levels at this time explaining the majority of this usage. The inventory levels are based on historical monthly patterns and optimized manufacturing schedules combined with market estimates, which are regularly evaluated and adjusted as appropriate.

## Annual Meeting and Dividends

Our annual meeting was held on April 23, 2012 at which time our Stockholders voted favorably on two proposals described as follows: the election of Douglas S. Brossman, Eleanor B. Drew, George W. Hodges, and Albert Morrison, III as directors; and the appointment of ParenteBeard LLC, or other auditing firm as the Board may select, as independent auditors for the 2012 year.

Following the annual meeting, the Board of Directors declared a quarterly common stock dividend of \$0.18 per share payable June 12, 2012 with a record date of June 5, 2012; and a semi-annual preferred stock dividend of \$1.50 per share payable June 12, 2012 with a record date of June 5, 2012.

Additionally, the Board of Directors have re-appointed Albert Morrison, III as Chairman of the Board, and appointed Douglas S. Brossman as President and CEO.

**Douglas S. Brossman**  
*President and CEO*

## Consolidated Balance Sheets

(In thousands)	April 1, 2012	Period Ended December 31, 2011	March 27, 2011
<b>Assets</b>			
Current Assets			
Cash, cash equivalents, and marketable securities	\$ 4,809	\$ 4,489	\$ 4,357
Trade and other accounts receivable, net	12,297	21,837	15,034
Inventories	49,834	41,385	46,026
Prepayments and other current assets	3,223	3,340	3,775
Total current assets	70,163	71,051	69,192
Property, plant and equipment, net	49,290	50,122	49,680
Deferred income taxes (5)	3,222	3,273	-
Other assets, net	22,375	22,394	22,155
Total Assets	\$ 145,050	\$ 146,840	\$ 141,027
<b>Liabilities and Stockholders' Equity</b>			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	\$ 24,647	\$ 27,141	\$ 26,441
Current portion of long-term liabilities	356	355	331
Total current liabilities	25,003	27,496	26,772
Long-term debt	19,511	16,204	17,805
Other postretirement liabilities (5)(6)	37,787	38,748	22,187
Deferred income taxes (5)	-	-	1,890
Total stockholders' equity (5)	62,749	64,392	72,373
Total Liabilities and Stockholders' Equity	\$ 145,050	\$ 146,840	\$ 141,027

## Consolidated Statements of Cash Flows

	April 1, 2012	March 27, 2011
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (947)	\$ (984)
Depreciation and amortization	1,174	1,048
Other net adjustments	(1,484)	(1,969)
Pension and postretirement liabilities expense	306	249
Contributions to pension trust (6)	(1,256)	(938)
Changes in operating assets and liabilities	163	413
NET CASH USED IN OPERATING ACTIVITIES	(2,044)	(2,181)
NET CASH USED IN THE PURCHASE OF ASSETS	(334)	(719)
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	3,500	4,000
Proceeds from exercise of stock options	31	57
Principal payments on debt and lease obligations	(28)	(7)
Dividends paid	(805)	(758)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,698	3,292
<b>CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES</b>		
Increase for period	320	392
Beginning of year	4,489	3,965
End of period	\$ 4,809	\$ 4,357

## Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three Months Ended April 1, 2012	March 27, 2011
Net sales	\$ 36,597	\$ 36,275
Cost of goods sold	29,531	29,447
Gross profit	7,066	6,828
Selling, administrative and general expense	8,243	8,093
Operating loss	(1,177)	(1,265)
Other income (expense)		
Mark-to-Market (4)	28	73
Interest income	15	-
Interest expense	(345)	(346)
Other Income (expense)	(302)	(273)
Loss before taxes	(1,479)	(1,538)
Tax benefit	(532)	(554)
Net loss	\$ (947)	\$ (984)
Basic and Diluted loss per share	\$ (0.21)	\$ (0.22)
Dividends paid per share	\$ 0.18	\$ 0.17

### Notes:

- (1) The accompanying unaudited financial statements contain adjustments that are necessary for a fair presentation of the interim results, and these adjustments are applied consistently for the periods presented. The results for any interim period are not necessarily indicative of results for the full year. These consolidated financial statements should be read in conjunction with the Annual Report for the period ended December 31, 2011.
- (2) 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.
- (3) Common stock outstanding as of April 1, 2012 includes 2,946,945 of Class A shares and 1,522,965 of Class B Shares.
- (4) 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 a portion of the 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.
- (5) 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 of the Company. For December 31, 2011 and 2010, 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 2011 Annual Report for more details).
- (6) In the first quarters of 2012 and 2011, the Company made voluntary pre-tax contributions of \$1.3 million and \$0.9 million, respectively, to its defined pension plan. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities") and did not impact the Statement of Operations.