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:
Elisa Ranck, Financial Services Administrator, or Douglas B. Springer, Vice President, Chief Financial Officer.

Transfer Agent

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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 2012 Annual Report. We undertake no duty to update or revise these forward-looking statements.

BURNHAM HOLDINGS, INC.

BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

Three Months Ended March 31, 2013

To Our Shareholders:

First quarter sales were $41.1 million, a 12% increase from 2012, and our highest first quarter sales in the last five years. Net Income for the first quarter was $623 thousand, or $0.14 per share, compared to a loss of $(947) thousand, or $(0.21) per share, reported for the same quarter of 2012, and is our first profitable first quarter since 2004. Cost of goods sold ("COGS") as a percentage of sales for the current quarter was 76.4%, better than last year's first quarter of 80.7%. 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, as well as a favorable product mix. Selling, administrative, and general expenses were higher in dollars from the prior year (mainly from the increased sales volume), but 1.8% lower as a percentage of sales, 20.7% versus the prior year's 22.5%. Other income (expense) was a net expense of $186 thousand for the quarter, lower than the prior year's net of $302 thousand as interest expense declined from the lower borrowing levels.

This strong first quarter versus last year was influenced by carry-over demand for residential boilers resulting from the October, 2012 Super Storm Sandy (discussed in the 2012 Annual Report), and the ongoing recovery efforts in the impacted areas. Our residential businesses were able to quickly respond to the un-forecasted demand, and to maintain this level of support into 2013. While we believe this recovery effort will continue throughout 2013, we do not believe that we will continue to see the same level of demand as we saw in late 2012 and early 2013. We therefore caution using the first quarter results as an indicator of total year expectations as the impacts of the storm may distort the normal seasonal nature of our businesses.

The Company's balance sheet has appropriate levels of working capital consistent with current business activity. Our long-term debt of $13.0 million was comprised of $10.7 million of bank debt ($6.5 million lower than last year) and $2.3 million of the mark-to-market of interest rate derivatives. The Statement of Cash Flows presents net cash used in operations of $4.2 million compared to prior year's cash used of $2.0 million. This increase in the use of funds for the quarter results from the payment of higher income taxes (from the strong 2012 results) and other normal changes in working capital levels. Inventory levels have increased from the prior year as we replenish stock from the high demand incurred within the residential subsidiaries, combined with optimizing manufacturing schedules in light of the current market estimates, which are regularly evaluated and adjusted as needed.

Annual Meeting and Dividends

Our annual meeting was held on April 22, 2013 at which time our Stockholders voted favorably on three proposals described as follows: the election of Thomas C. Kile, Elizabeth H. McMullan, and Philmer H. Rohrbaugh as directors; the approval of a new stock-based incentive compensation plan: and the appointment of ParenteBeard LLC, or other auditing firm as the Board may select, as independent auditors for the 2013 year.

Following the annual meeting, the Board of Directors declared a quarterly common stock dividend of $0.20 per share; and a semi-annual preferred stock dividend of $1.50 per share. These dividends are payable June 11, 2013 with a record date of June 4, 2013.

Douglas S. Brossman
President and CEO

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	March 31, 2013	Period Ended December 31, 2012	April 1, 2012
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	$ 4,700	$ 4,740	$ 4,809
Trade and other accounts receivable, net	12,769	25,966	12,297
Inventories	51,671	40,697	49,834
Prepayments and other current assets	3,365	3,358	3,223
Total current assets	72,505	74,761	70,163
Property, plant and equipment, net	47,184	47,785	49,290
Deferred income taxes (5)	3,624	3,663	3,222
Other assets, net	21,707	22,865	22,375
Total Assets	$ 145,020	$ 149,074	$ 145,050
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	$ 26,408	$ 33,741	$ 24,647
Current portion of long-term liabilities	303	279	356
Total current liabilities	26,711	34,020	25,003
Long-term debt	12,984	7,680	19,511
Other postretirement liabilities (5)(6)	36,486	38,483	37,787
Total stockholders' equity (5)	68,839	68,891	62,749
Total Liabilities and Stockholders' Equity	$ 145,020	$ 149,074	$ 145,050

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2013	April 1, 2012
OPERATING ACTIVITIES		
Net income (loss)	$ 623	$ (947)
Depreciation and amortization	1,170	1,174
Other net adjustments	(496)	(1,484)
Pension and postretirement liabilities expense	413	306
Contributions to pension trust (6)	(1,256)	(1,256)
Changes in operating assets and liabilities	(4,687)	163
NET CASH USED IN OPERATING ACTIVITIES	(4,233)	(2,044)
NET CASH USED IN THE PURCHASE OF ASSETS	(565)	(334)
FINANCING ACTIVITIES		
Proceeds from borrowings	5,500	3,500
Proceeds from exercise of stock options	157	31
Principal payments on debt and lease obligations	-	(28)
Dividends paid	(899)	(805)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,758	2,698
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
(Decrease) increase for period	(40)	320
Beginning of year	4,740	4,489
End of period	$ 4,700	$ 4,809

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three Months Ended March 31, 2013	April 1, 2012
Net sales	$ 41,133	$ 36,597
Cost of goods sold	31,443	29,531
Gross profit	9,690	7,066
Selling, administrative and general expense	8,531	8,243
Operating income (loss)	1,159	(1,177)
Other income (expense)		
Mark-to-Market (4)	21	28
Interest and investment income	50	15
Interest expense	(257)	(345)
Other Income (expense)	(186)	(302)
Income (loss) before taxes	973	(1,479)
Tax expense (benefit)	350	(532)
Net income (loss)	$ 623	$ (947)
Basic and Diluted income (loss) per share	$ 0.14	$ (0.21)
Dividends paid per share	$ 0.20	$ 0.18

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, 2012.

(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 March 31, 2013 includes 2,974,124 of Class A shares and 1,521,311 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, 2012 and 2011, 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 2012 Annual Report for more details).

(6) In both 2013 and 2012, the Company made voluntary pre-tax contributions of $1.3 million 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 Statement of Operations.