

BURNHAM HOLDINGS, INC.

REPORT TO STOCKHOLDERS

**Six Months Ended
June 26, 2016**

Corporate Data

Burnham Holdings, Inc.
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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:
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Transfer Agent

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Inquiries about stock certificates,
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address changes should be directed to
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BURNHAM HOLDINGS, INC.

Consolidated Statements of Cash Flows

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

| | Six Months ended June | |
|--|-----------------------|-----------------|
| | 2016 | 2015 |
| Net income (loss) | \$ (436) | \$ 40 |
| Depreciation and amortization | 2,211 | 2,218 |
| Pension and postretirement liabilities (income) expense | (35) | 90 |
| Contributions to pension trust (5) | (2,813) | (2,925) |
| Other net adjustments | (186) | (490) |
| Changes in operating assets and liabilities | (10,411) | (13,586) |
| NET CASH USED IN OPERATING ACTIVITIES | (11,670) | (14,653) |
| Net cash used in the purchase of assets | (1,282) | (2,909) |
| Proceeds from borrowings | 15,500 | 19,500 |
| Proceeds from stock option exercise and Treasury activity, net | 133 | 290 |
| Principal payments on debt and lease obligations | - | - |
| Dividends paid | (2,020) | (2,012) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 661 | 216 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,912 | 4,885 |
| CASH AND CASH EQUIVALENTS AT END OF QUARTER | \$ 5,573 | \$ 5,101 |

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 June 26, 2016 includes 3,075,672 of Class A shares and 1,460,677 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 half of 2016 and 2015, the Company made voluntary pre-tax contributions of \$2.81 million and \$2.93 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 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.

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 first half charges for all uninsured litigation of every kind, was \$120 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the same period were approximately \$70 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.

Consolidated Statements of Operations

(In thousands, except per share data)

(Data is unaudited (see Notes))

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------------|------------------|------------------|
| | June 26, 2016 | June 28, 2015 | June 26, 2016 | June 28, 2015 |
| Net sales | \$ 34,560 | \$ 36,483 | \$ 67,745 | \$ 74,955 |
| Cost of goods sold | 26,020 | 27,820 | 53,178 | 58,758 |
| Gross profit | 8,540 | 8,663 | 14,567 | 16,197 |
| Selling, general and administrative expenses | 7,201 | 7,389 | 14,824 | 15,593 |
| Operating income | 1,339 | 1,274 | (257) | 604 |
| Other income (expense): | | | | |
| Interest income | 16 | 12 | 31 | 25 |
| Interest expense | (250) | (306) | (456) | (567) |
| Other income (expense) | (234) | (294) | (425) | (542) |
| Income before income taxes | 1,105 | 980 | (682) | 62 |
| Income tax expense (benefit) | 397 | 352 | (246) | 22 |
| NET INCOME | \$ 708 | \$ 628 | \$ (436) | \$ 40 |
| BASIC & DILUTED INCOME (LOSS) PER SHARE | \$ 0.15 | \$ 0.14 | \$ (0.10) | \$ 0.01 |
| DIVIDENDS PAID | \$ 0.22 | \$ 0.22 | \$ 0.44 | \$ 0.44 |

Consolidated Balance Sheets

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

| | June 26, 2016 | June 28, 2015 |
|---|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 5,573 | \$ 5,101 |
| Trade accounts receivable, less allowances | 19,633 | 19,540 |
| Inventories | 56,346 | 58,115 |
| Prepaid expenses and other current assets | 1,977 | 2,926 |
| TOTAL CURRENT ASSETS | 83,529 | 85,682 |
| PROPERTY, PLANT AND EQUIPMENT, net | 47,043 | 46,375 |
| DEFERRED INCOME TAXES (4) | | 116 |
| OTHER ASSETS, net | 22,446 | 22,574 |
| TOTAL ASSETS | \$ 153,018 | \$ 154,747 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts and taxes payable & accrued expenses | \$ 19,861 | \$ 21,237 |
| Current portion of long-term liabilities | 1,448 | 232 |
| TOTAL CURRENT LIABILITIES | 21,309 | 21,469 |
| LONG-TERM DEBT | 28,400 | 29,893 |
| OTHER POSTRETIREMENT LIABILITIES (4)(5) | 24,329 | 27,040 |
| DEFERRED INCOME TAXES | 432 | - |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stock | 530 | 530 |
| Class A Common Stock | 3,484 | 3,466 |
| Class B Convertible Common Stock | 1,461 | 1,478 |
| Additional paid-in capital | 15,675 | 15,543 |
| Retained earnings | 109,012 | 105,766 |
| Accumulated other comprehensive income (loss) (4) | (33,617) | (32,432) |
| Treasury stock, at cost | (17,997) | (18,006) |
| TOTAL STOCKHOLDERS' EQUITY | 78,548 | 76,345 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 153,018 | \$ 154,747 |

To Our Shareholders:

Burnham Holdings, Inc. highlights in the first half of 2016 included the following:

- Net sales in the second quarter and YTD of \$34.6 million and \$67.7 million, respectively, compared to \$36.5 million and \$74.9 million in the same periods last year.
- Pre-tax income improved in the second quarter to \$1.1 million compared to \$1.0 million last year, while on a YTD basis pre-tax income was \$0.7 million lower than in 2015.
- Gross profit as a percentage of sales in the second quarter increased to 24.7% versus 23.7% last year; and was essentially flat on a YTD basis compared to last year.
- Interest expense in the first half was lower by \$111 thousand compared to last year due to generally lower borrowing levels as well as lower interest rates in the current year.

Financial Results

Sales in the second quarter were lower by \$1.9 million, or 5.3% compared to the second quarter of 2015, while YTD sales in 2016 were \$7.2 million less, or 9.6% below the first half of last year. Sales volume in our key market areas continued to be impacted in the second quarter as a result of the extremely mild weather experienced this past winter. Also, due to lower energy prices over the past year, consumers did not have a compelling reason to upgrade their heating systems to be more energy efficient which also tends to negatively impact overall demand for replacements. Net income in the second quarter of 2016 improved by \$80 thousand to \$708 thousand, compared to the second quarter net income of \$628 thousand in 2015, an increase of 12.7%. On a YTD basis, 2016 results reflect a net loss of (\$436)

thousand compared to 2015 net income of \$40 thousand.

Cost of goods sold (“COGS”) as a percentage of sales for the second quarter and YTD in 2016 was 75.3% and 78.5%, respectively, compared to 76.3% and 78.4% for the same periods in 2015. Our continued focus on cost control and operational productivity contributed to the improvement in COGS in the second quarter of 2016. Selling, general and administrative expenses were somewhat higher in the second quarter (20.8% vs. 20.3%) and YTD (21.9% vs. 20.8%) as a percentage of sales; but were lower in both the second quarter and YTD in terms of total dollar spending. Other expenses in total reflect a decrease of \$(60) thousand in the second quarter and \$(117) thousand on a YTD basis compared to 2015. This was the result of lower interest expenses due to decreased levels of borrowing and lower interest rates. As we enter the second half of the year and the peak heating season, we are scheduling our manufacturing facilities to handle the normal pattern of increased demand.

Balance Sheet Condition

The Company’s balance sheet has appropriate levels of working capital to adequately support our current level of business activity. Long-term debt was lower this year at the end of the first half compared to last year (\$28.4 million vs. \$29.9 million), and continues at a favorable level in comparison to total capital. Net cash used in operations was lower this year in the first half by nearly \$3.0 million due to lower overall working capital requirements.

Douglas S. Brossman
President and CEO