BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

Nine Months Ended
September 25, 2011

To Our Shareholders:

Third quarter and year-to-date sales were $51.1 million and $127.4 million, respectively. This reflects increased sales compared to the prior year third quarter and year-to-date, which were $50.2 million and $121.3 million, respectively. Overall this is encouraging in light of the challenging economic and political conditions, which continue to thwart signs of recovery. The residential portion of the business (on a yearly basis about 70% of the sales revenue) continued to record increased sales for the quarter versus the prior year and built upon the upward sales trend experienced through the first half of the year. The commercial portion of the business provides heating applications for large commercial, institutional and industrial facilities such as hospitals, factories, hotels, and schools. Growth was experienced in commercial through the first half of this year. However during the past quarter this portion of the business has begun to see the impact of constraints on spending in the commercial market sector. The Burnham Holdings strategy of industry diversification through independent subsidiaries with different products and markets, have served us well during these challenging business conditions. Existing boilers will continue to be replaced over time due to age or operating costs, and the powerful lineup of high-efficiency residential and commercial products sold through our subsidiary companies, position them well in the market. These products are top-quality, high-value equipment for virtually any application.

Financial Results

The income for the third quarter and year-to-date was $1.8 million or $0.41 per share, and $794 thousand or $0.18 per share, respectively. This compares favorably to 2010 third quarter and year-to-date income of $1.6 million or $0.36 per share, and $677 thousand or $0.15 per share, respectively. Cost of goods sold ("COGS") as a percentage of sales for 2011, for both the quarter and year-to-date, have increased only marginally compared to the same periods of the prior year (2011 at 76.7% and 78.7%, respectively, versus 2010 at 76.5% and 78.1%, respectively). The COGS has been negatively affected by an increase in global commodity prices. Through the nine months, we have incurred material price variances of approximately 1.9% of sales, more than triple the year-to-date difference in the COGS percentage. We have been able to offset a portion of these increases through the continual and systematic improvement of our production processes and from strict control of manufacturing overhead expenses. Selling, administrative, and general expenses were lower as a percentage of sales for the quarter and nine months compared to the prior year (2011 at 17.0% and 19.6%, respectively, versus 2010 at 17.5% and 20.0%, respectively). In addition to the favorable impact from the above-mentioned cost drivers, we have also taken appropriate product pricing actions to maintain margins, as reflected by the stronger operating margins reported for the third quarter (2011 at 6.3% versus 6.0% for 2010). In addition, interest expense was lower for the quarter and nine months as a result of lower borrowing rates.

Balance Sheet Condition

The Company's balance sheet remains strong with working capital at a level consistent with the business activity. Total debt was $40.0 million at September 25, 2011, only $1.0 million higher than the $39.0 million at the same point in 2010. This change is mainly the result of higher inventory levels and increased capital spending (in the prior year we recognized proceeds from the sale of assets discussed in Note 7). While the Statement of Cash Flows presents negative net cash used in operations for the nine months, the higher inventory levels at the end of this period explain the majority of this usage. The inventory levels are based on historical monthly patterns and optimized manufacturing schedules combined with market estimates, and are considered appropriate based on current business conditions.

Dividends

As a reminder, the Board of Directors evaluates the Company's financial performance at its regular scheduled December 1st meeting for consideration of December dividends.

A. Morrison, III
Chairman and CEO

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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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.

BURNHAM HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	September 25, 2011	Period Ended December 31, 2010	September 26, 2010
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	$ 4,973	$ 3,965	$ 4,634
Trade and other accounts receivable, net	27,065	23,666	29,436
Inventories	55,310	36,593	51,104
Prepayments and other current assets	3,604	3,716	3,121
Total current assets	90,952	67,940	88,295
Property, plant and equipment, net	50,032	50,001	44,538
Deferred income taxes (5)	-	-	1,385
Other assets, net	22,064	22,156	21,780
Total Assets	$ 163,048	$ 140,097	$ 155,998
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	$ 28,326	$ 27,064	$ 26,370
Current portion of long-term liabilities	288	361	270
Total current liabilities	28,614	27,425	26,640
Long-term debt	39,934	14,016	38,962
Other postretirement liabilities (5)(6)	21,094	22,892	19,468
Deferred income taxes (5)	1,447	1,824	-
Total stockholders' equity (5)	71,959	73,940	70,928
Total Liabilities and Stockholders' Equity	$ 163,048	$ 140,097	$ 155,998

Consolidated Statements of Cash Flows

	Nine Months Ended September 25, 2011	September 26, 2010
OPERATING ACTIVITIES		
Net income	$ 794	$ 677
Depreciation and amortization	3,151	3,347
Other net adjustments	(1,121)	(128)
Pension and postretirement liabilities expense	740	570
Contributions to pension trust (6)	(2,500)	(2,450)
Changes in operating assets and liabilities	(19,778)	(14,694)
NET CASH USED IN OPERATING ACTIVITIES	(18,714)	(12,678)
NET CASH USED IN THE PURCHASE OF ASSETS	(3,143)	(2,805)
PROCEEDS FROM SALE OF ASSETS (7)	-	871
FINANCING ACTIVITIES		
Proceeds from borrowings	25,000	18,000
Principle payments on debt and lease obligations	(30)	(352)
Proceeds from exercise of stock options	181	51
Dividends paid	(2,286)	(2,280)
NET CASH PROVIDED BY FINANCING ACTIVITIES	22,865	15,419
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	1,008	807
Beginning of year	3,965	3,827
End of period	$ 4,973	$ 4,634

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended September 25, 2011	September 26, 2010	Nine months ended September 25, 2011	September 26, 2010
Net sales	$ 51,050	$ 50,168	$ 127,374	$ 121,316
Cost of goods sold	39,168	38,379	100,187	94,799
Gross profit	11,882	11,789	27,187	26,517
Selling, administrative and general expense	8,689	8,786	24,945	24,282
Operating income	3,193	3,003	2,242	2,235
Other income (expense)				
Mark-to-Market (4)	47	32	157	103
Interest income	5	-	7	1
Interest expense	(419)	(538)	(1,165)	(1,314)
Other Income (expense)	(367)	(506)	(1,001)	(1,210)
Income before taxes	2,826	2,497	1,241	1,025
Tax expense	1,017	878	447	348
Net income	$ 1,809	$ 1,619	$ 794	$ 677
Basic and Diluted income per share	$ 0.41	$ 0.36	$ 0.18	$ 0.15
Dividends paid per share	$ 0.17	$ 0.17	$ 0.51	$ 0.51

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, 2010.

(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 at September 25, 2011 includes 2,882,750 of Class A shares and 1,585,160 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, 2010 and 2009, 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 2010 Annual Report for more details).

(6) In the first nine months of 2011 and 2010, the Company made voluntary pre-tax contributions of $2.5 million in each year 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.

(7) On February 22, 2010, the Company sold the assets of Wendland Manufacturing Corp. in Texas. The sale was recorded in the 2009 financial statements, while the transfer of cash occurred on the date of sale.