BURNHAM HOLDINGS, INC.

REPORT TO STOCKHOLDERS

Three Months Ended March 27, 2011

To Our Shareholders:

First quarter sales were $36.3 million, an increase from the $35.5 million reported in 2010. Sales of both the residential and commercial portions of our business continue to be influenced by the recession that not only has impacted Burnham Holdings but also the overall industry. In light of these economic conditions this sales increase, while small, was encouraging. Both portions of our business, residential and commercial experienced sales growth during the quarter. We expect market conditions to be challenging until the economy recovers, and credit availability, housing, real estate activity, and consumer confidence return to a more normal level. With the seasonal nature of our business, 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 difficult, 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, position us well in the market. We can provide top-quality, high-value equipment for virtually any application.

Financial Results

The loss for the first quarter of 2011 was $(984) thousand, or $(0.22) per share, which was marginally worse than the loss of $(820) thousand reported for 2010 and better than the $(1.2) million loss for 2009, with losses per share of $(0.18) and $(0.27), respectively. Cost of goods sold as a percentage of sales for the current first quarter was 81.2%, only slightly higher than the first quarters of 2010 and 2009, which were basically equal at 80.9% and 80.8%, respectively. While the mix of products sold for each period impacts this quarterly percentage comparison, we have also begun to see raw material cost increases as worldwide manufacturing operations begin to increase production while dealing with the political uncertainties and environmental disasters occurring today. Selling, administrative, and general expenses were higher compared to the prior year (partially from the increased sales volume), $8.1 million versus $7.8 million in 2010, but both years were lower than the $8.4 million reported for 2009. We have been continually and systematically evaluating our cost structure during this economic recession to remain cost competitive in the market. Appropriate product pricing actions are being taken to maintain operating margins.

Balance Sheet Condition

The Company's balance sheet remains strong with working capital at a level consistent with the business activity. Our long-term debt of $18 million is 12% lower than the first quarter of last year. While the Statement of Cash Flows presents negative net cash used in operations of $2.2 million, the higher inventory levels at the end of the quarter explains the majority of this usage. The inventory levels are based on historical monthly patterns and optimized manufacturing schedules combined with market estimates, which are routinely evaluated and adjusted as appropriate.

Annual Meeting and Dividends

Our annual meeting was held on April 26, 2011 at which time our Stockholders voted favorably on two proposals described as follows: the election of William F. Dodge, II, John W. Lyman, and Robert P. Newcomer as directors; and the appointment of ParenteBeard LLC, or other auditing firm as the Board may select, as independent auditors for the 2011 year.

Also at its meeting, the Board of Directors declared a quarterly common stock dividend of $0.17 per share payable June 13, 2011 with a record date of June 6, 2011; and a semi-annual preferred stock dividend of $1.50 per share payable June 13, 2011 with a record date of June 6, 2011.

A. Morrison, III
Chairman and CEO

Corporate Data

Burnham Holdings, Inc.
1241 Harrisburg Avenue
Post Office Box 3245
Lancaster, PA 17604-3245
Telephone: (717) 390-7800
Fax: (717) 390-7852
www.burnhamholdings.com

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:
Audrey L. Behr, Financial Services Administrator or 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.

BURNHAM HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	March 27, 2011	Period Ended December 31, 2010	March 28, 2010
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	$ 4,357	$ 3,965	$ 4,453
Trade and other accounts receivable, net	15,034	23,666	15,457
Inventories	46,026	36,593	43,954
Prepayments and other current assets	3,775	3,716	2,879
Total current assets	69,192	67,940	66,743
Property, plant and equipment, net	49,680	50,001	44,711
Deferred income taxes (5)	-	-	861
Other assets, net	22,155	22,156	22,203
Total Assets	$ 141,027	$ 140,097	$ 134,518
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	$ 26,441	$ 27,064	$ 21,724
Current portion of long-term liabilities	331	361	344
Total current liabilities	26,772	27,425	22,068
Long-term debt	17,805	14,016	20,149
Other postretirement liabilities (5)(6)	22,187	22,892	20,519
Deferred income taxes (5)	1,890	1,824	-
Total stockholders' equity (5)	72,373	73,940	71,782
Total Liabilities and Stockholders' Equity	$ 141,027	$ 140,097	$ 134,518

Consolidated Statements of Cash Flows

	Three Months Ended March 27, 2011	Three Months Ended March 28, 2010
OPERATING ACTIVITIES		
Net loss	$ (984)	$ (820)
Depreciation and amortization	1,048	1,144
Other net adjustments	(1,969)	(875)
Pension and postretirement liabilities expense	249	190
Contributions to pension trust (6)	(938)	(1,050)
Changes in operating assets and liabilities	413	2,801
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,181)	1,390
NET CASH USED IN THE PURCHASE OF ASSETS	(719)	(810)
PROCEEDS FROM SALE OF ASSETS (7)	-	871
FINANCING ACTIVITIES		
Proceeds from borrowings	4,000	-
Proceeds from exercise of stock options	57	-
Principle payments on debt and lease obligations	(7)	(68)
Dividends paid	(758)	(757)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,292	(825)
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	392	626
Beginning of year	3,965	3,827
End of period	$ 4,357	$ 4,453

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended March 27, 2011	March 28, 2010	March 29, 2009
Net sales	$ 36,275	$ 35,525	$ 34,696
Cost of goods sold	29,447	28,731	28,036
Gross profit	6,828	6,794	6,660
Selling, administrative and general expense	8,093	7,772	8,352
Operating loss	(1,265)	(978)	(1,692)
Other income (expense)			
Mark-to-Market (4)	73	40	82
Interest income	-	-	1
Interest expense	(346)	(343)	(288)
Other Income (expense)	(273)	(303)	(205)
Loss before taxes	(1,538)	(1,281)	(1,897)
Tax benefit	(554)	(461)	(683)
Net loss	$ (984)	$ (820)	$ (1,214)
Basic and Diluted loss per share	$ (0.22)	$ (0.18)	$ (0.27)
Dividends paid per share	$ 0.17	$ 0.17	$ 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, 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 as of March 27, 2011 includes 2,872,925 of Class A shares and 1,586,437 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 quarters of 2011 and 2010, the Company made voluntary pre-tax contributions of $0.9 million and $1.1 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.

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