BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

Nine Months Ended
September 25, 2016

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: Cathleen J. Anderson, Financial Services Administrator, or Dale R. Bowman, VP-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 Advisors at the above address.

BURNHAM HOLDINGS, INC.

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three Months Ended Sep 25, 2016	Three Months Ended Sep 27, 2015	Nine Months Ended Sep 25, 2016	Nine Months Ended Sep 27, 2015
Net sales	$ 42,114	$ 53,760	$ 109,859	$ 128,715
Cost of goods sold	34,154	41,871	87,332	100,629
Gross profit	7,960	11,889	22,527	28,086
Selling, general and administrative expenses	6,977	8,113	21,801	23,706
Operating income	983	3,776	726	4,380
Other income (expense):				
Interest income	16	12	47	37
Interest expense	(280)	(313)	(736)	(880)
Other income (expense)	(264)	(301)	(689)	(843)
Income before income taxes	719	3,475	37	3,537
Income tax expense (benefit)	260	1,251	14	1,273
NET INCOME	$ 459	$ 2,224	$ 23	$ 2,264
BASIC & DILUTED INCOME (LOSS) PER SHARE	$ 0.10	$ 0.49	$ -	$ 0.50
DIVIDENDS PAID	$ 0.22	$ 0.22	$ 0.66	$ 0.66

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes)) ASSETS	Sep 25, 2016	Sep 27, 2015
CURRENT ASSETS		
Cash and cash equivalents	$ 5,698	$ 5,670
Trade accounts receivable, less allowances	23,744	25,091
Inventories	56,962	54,573
Prepaid expenses and other current assets	1,439	2,319
TOTAL CURRENT ASSETS	87,843	87,653
PROPERTY, PLANT AND EQUIPMENT, net	46,838	47,736
DEFERRED INCOME TAXES (4)		104
OTHER ASSETS, net	22,142	22,324
TOTAL ASSETS	$ 156,823	$ 157,817
LIABILITIES AND STOCKHOLDERS' EQUITY	**2016**	**2015**
CURRENT LIABILITIES		
Accounts and taxes payable & accrued expenses	$ 21,674	$ 22,756
Current portion of long-term liabilities	1,264	232
TOTAL CURRENT LIABILITIES	22,938	22,988
LONG-TERM DEBT	32,184	31,361
OTHER POSTRETIREMENT LIABILITIES (4)(5)	23,076	25,865
DEFERRED INCOME TAXES	495	-
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	15,684	15,552
Retained earnings	108,474	106,993
Accumulated other comprehensive income (loss) (4)	(33,505)	(32,411)
Treasury stock, at cost	(17,998)	(18,005)
TOTAL STOCKHOLDERS' EQUITY	78,130	77,603
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 156,823	$ 157,817

Consolidated Statements of Cash Flows

(in thousands and data is unaudited (see Notes))	Nine Months ended June 2016	2015
Net income (loss)	$ 23	$ 2,264
Depreciation and amortization	3,234	3,244
Pension and postretirement liabilities (income) expense	(53)	135
Contributions to pension trust (5)	(3,750)	(3,900)
Other net adjustments	(84)	(591)
Changes in operating assets and liabilities	(13,060)	(13,367)
NET CASH USED IN OPERATING ACTIVITIES	(13,690)	(12,215)
Net cash used in the purchase of assets	(2,095)	(5,291)
Proceeds from borrowings	19,448	21,000
Proceeds from stock option exercise and Treasury activity, net	141	300
Principal payments on debt and lease obligations	-	-
Dividends paid	(3,018)	(3,009)
INCREASE IN CASH AND CASH EQUIVALENTS	786	785
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,912	4,885
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$ 5,698	$ 5,670

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 September 25, 2016 includes 3,076,229 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 interestrate. 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 nine months of 2016 and 2015, the Company made voluntary pre-tax contributions of $3.75 million and $3.90 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 depending on the employee group, with the exception of a limited, closed group of union production employees. While not 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.

(Note 6 continued on following page)

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: Charges in the first nine months of 2016 for all uninsured litigation of every kind, were $180 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the same period were approximately $100 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.

To Our Shareholders:

Highlights of our third quarter and year-to-date (YTD) operations include the following:

- Net sales in the third quarter and YTD were $42.1 million and $109.9 million, respectively, compared to $53.8 million and $128.7 million in the same periods last year.
- Gross profit as a percent of sales was 20.5% on a year-to-date (YTD) basis in 2016 compared to 21.8% on a YTD basis in 2015.
- Net income was $0.023 million in the first nine months of 2016 compared to $2.26 million in the first nine months of 2015.
- Our U.S. Boiler, Velocity and New Yorker subsidiaries all introduced new energy efficient residential products in the first half of this year. These new products, along with others now in development, further strengthen our ability to service every sector of the residential hydronic heating market.

Financial Results

The combined impact of low energy prices, unseasonably mild temperatures, and excess product inventory in the distribution supply chain has adversely impacted short term demand for our residential boiler products as consumers have less incentive to upgrade and/or replace older, lower efficiency heating equipment with new, replacement products. As a result, our residential boiler unit sales were lower compared to the same period last year, leading the decline in overall sales. Third quarter sales in 2016 declined by $11.6 million compared to the third quarter of 2015. On a YTD basis in 2016, overall sales dropped by $18.9 million, or 14.6% compared to 2015 results. Net income in the third quarter was $0.46 million, compared to $2.22 million last year. Our 2016 YTD net income was $23 thousand, compared to $2.26 million in 2015.

Cost of goods sold ("COGS") as a percentage of sales for the third quarter and YTD in 2016 was 81.1% and 79.5%, respectively, compared to 77.9% and 78.2% for the same periods in 2015. The increase in cost of goods sold was mainly the result of the mix of products being sold as well as negative cost impacts due to lower operating levels in our various manufacturing operations. Selling, general and administrative expenses were lower in dollar terms in the third quarter and YTD 2016 compared to 2015, but higher when measured as a percentage of sales as a result of the significant decline in sales volume. Other expenses through nine months of 2016 are lower by $154 thousand compared to the same period in 2015. This was mainly due to lower interest expenses that resulted from reduced interest rates on our various borrowing facilities in 2016 when compared to last year.

Balance Sheet Condition

The Company's balance sheet has adequate levels of working capital based on our expected level of business activity as we move into the fourth quarter of the year. Long-term debt is basically flat compared to last year ($30.4 million vs. $30.3 million), and represents a manageable level when measured as a percentage of total capital.

Other Corporate Matters

Christopher Drew, Executive Vice President for Burnham Holdings, will be appointed as Chairman of the Air Conditioning Heating and Refrigeration Institute (AHRI) during AHRI's Annual Meeting this November. We would like to congratulate Chris on his appointment and wish him success as he assumes this role on behalf of the HVAC industry.

Douglas S. Brossman
President and CEO