

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 Pink OTC Markets, 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, 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 2009 Annual Report. We undertake no duty to update or revise these forward-looking statements.

BURNHAM HOLDINGS, INC.

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REPORT TO STOCKHOLDERS

**Three Months Ended
March 28, 2010**

To Our Shareholders:

First quarter sales were \$35.5 million, an increase from the \$34.7 million reported in 2009. Both the residential and commercial portions of our business continue to be impacted by the recession that not only has impacted Burnham Holdings but also the overall industry. However, we have experienced sales growth during the quarter, compared to the prior year, on the strength of residential product sales. The harsh weather conditions at the end of 2009 and into 2010 resulted in increased home heating requirements. This renewed consumer focus, combined with the strong acceptance of our subsidiary's product offerings, resulted in increased replacements and/or system upgrades. We expect market conditions to be challenging until the economy fully 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 2010 was \$(820) thousand, or \$(0.18) per share, which was better than the losses of \$(1.2) million reported for the comparative periods of 2009 and 2008, with losses per share of \$(0.27) and \$(0.28), respectively. We have been continually and systematically evaluating our cost structure during this economic recession to remain cost competitive in the market. Cost of goods sold as a percentage of sales for the quarters ended 2010 and 2009 were basically equal, at 80.9% and 80.8%, respectively, an improvement from the 2008 level of

81.4%, reflecting the results of product pricing actions combined with stabilization of raw material costs and control of manufacturing overhead expenses. Selling, administrative, and general expenses were 7% lower compared to the prior year, \$7.8 million versus \$8.4 million in 2009, and 14% lower than 2008.

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 is substantially lower than the first quarter of last year and is basically equal to the year-ending level of 2009, which means we were cash flow neutral for the quarter. The net cash provided by operations was a strong \$1.4 million in 2010 compared to \$159 thousand in 2009. Our spending for capital equipment of \$810 thousand (an increase of \$439 thousand over the 2009 spending level) was essentially paid for by the cash proceeds from selling the assets of Wendland Manufacturing Corp. in Texas, previously mentioned in the 2009 Annual Report as a subsequent event.

Annual Meeting and Dividends

Our annual meeting was held on April 26, 2010 at which time our Stockholders voting favorably on two proposals described as follows: the election of Rufus A. Fulton, Jr., Thomas C. Kile, and Elizabeth H. McMullan as directors; and the appointment of ParenteBeard LLC, or other auditing firm as the Board may select, as independent auditors for the 2010 year.

Also at its meeting, the Board of Directors declared a quarterly common stock dividend of \$0.17 per share payable June 14, 2010 with a record date of June 7, 2010; and a semi-annual preferred stock dividend of \$1.50 per share payable June 30, 2010 with a record date of June 7, 2010.

A. Morrison, III
Chairman and CEO

Consolidated Balance Sheets

(In thousands)	March 28, 2010	Period Ended December 31, 2009	March 29, 2009
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	\$ 4,453	\$ 3,827	\$ 4,117
Trade and other accounts receivable, net	15,457	23,767	15,824
Inventories	43,954	38,897	52,127
Prepayments and other current assets	2,879	3,073	3,555
Total current assets	<u>66,743</u>	<u>69,564</u>	<u>75,623</u>
Property, plant and equipment, net	44,711	45,720	47,428
Deferred income taxes (5)	861	777	2,896
Other assets, net	22,203	22,373	21,766
Total Assets	<u>\$ 134,518</u>	<u>\$ 138,434</u>	<u>\$ 147,713</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	\$ 21,724	\$ 23,058	\$ 24,308
Current portion of long-term liabilities	344	343	399
Total current liabilities	<u>22,068</u>	<u>23,401</u>	<u>24,707</u>
Long-term debt	20,149	20,128	31,032
Other postretirement liabilities (5)(6)	20,519	21,396	22,389
Total stockholders' equity (5)	71,782	73,509	69,585
Total Liabilities and Stockholders' Equity	<u>\$ 134,518</u>	<u>\$ 138,434</u>	<u>\$ 147,713</u>

Consolidated Statements of Cash Flows

	March 28, 2010	March 29, 2009
OPERATING ACTIVITIES		
Net loss	\$ (820)	\$ (1,214)
Depreciation and amortization	1,144	1,179
Other net adjustments	(875)	(1,913)
Pension and postretirement liabilities expense	190	359
Contributions to pension trust (6)	(1,050)	(1,603)
Changes in operating assets and liabilities	2,801	3,351
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,390</u>	<u>159</u>
NET CASH USED IN THE PURCHASE OF ASSETS	<u>(810)</u>	<u>(371)</u>
PROCEEDS FROM SALE OF ASSETS (7)	871	-
FINANCING ACTIVITIES		
Proceeds from borrowings	-	1,500
Principle payments on debt and lease obligations	(68)	(22)
Dividends paid	(757)	(757)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(825)</u>	<u>721</u>
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	626	509
Beginning of year	3,827	3,608
End of period	<u>\$ 4,453</u>	<u>\$ 4,117</u>

Consolidated Statements of Operations

(In thousands, except per share data)	March 28, 2010	March 29, 2009	March 30, 2008
Net sales	\$ 35,525	\$ 34,696	\$ 42,144
Cost of goods sold	28,731	28,036	34,300
Gross profit	<u>6,794</u>	<u>6,660</u>	<u>7,844</u>
Selling, administrative and general expense	7,772	8,352	9,058
Operating loss	<u>(978)</u>	<u>(1,692)</u>	<u>(1,214)</u>
Other income (expense)			
Mark-to-Market (4)	40	82	(368)
Interest income	-	1	26
Interest expense	(343)	(288)	(359)
Other Income (expense)	<u>(303)</u>	<u>(205)</u>	<u>(701)</u>
Loss before taxes	(1,281)	(1,897)	(1,915)
Tax benefit	(461)	(683)	(689)
Net loss	<u>\$ (820)</u>	<u>\$ (1,214)</u>	<u>\$ (1,226)</u>
Basic and Diluted loss per share	<u>\$ (0.18)</u>	<u>\$ (0.27)</u>	<u>\$ (0.28)</u>
Dividends paid per share	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>

Notes:

- 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, 2009.
- 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.
- Common stock outstanding as of March 28, 2010 includes 2,841,608 of Class A shares and 1,610,281 of Class B Shares.
- 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.
- 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, 2009 and 2008, projected benefit obligations exceeded plan assets, although the 2009 unfunded position was lower than the 2008 unfunded position. 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 9 of the 2009 Annual Report for more details).
- In the first quarters of 2010 and 2009, the Company made voluntary pre-tax contributions of \$1.1 million and \$1.6 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.
- 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.