BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

Six Months Ended
July 1, 2007

To Our Shareholders:

Second quarter and year-to-date sales were $47.9 million and $94.5 million, respectively. Actual 2006 second quarter and year-to-date sales were $42.7 million and $86.0 million, respectively. Both portions of our business, residential and commercial, are reporting higher sales for the quarter and for the year over the comparable periods of last year. Residential products sales increased marginally for both periods as this portion of the business continues to track the general trend of the overall industry. This market has been negatively impacted during both years by warmer weather conditions, a sluggish housing market, and a lowering of inventory levels through-out the distribution chain. As we approach the upcoming heating season, we are scheduling our manufacturing facilities for the normal pattern of higher demand in the second half. The commercial portion of our business reported good second quarter and first half sales, up from last year. The backlog of commercial orders is higher at this point than last year, which is encouraging for sales activity through the third quarter. The introductions of new high-efficiency products are expected to have a positive impact as the year progresses.

Financial Results

The net gain for the second quarter was $197 thousand or $0.05 per share, while the year-to-date loss was $(508) thousand or $(0.11) per share. The second quarter and year-to-date net losses for 2006 were $(2.4) million or $(0.53) per share, and $(5.0) million or $(1.12) per share, respectively. The $4.5 million improvement in financial performance during the first half of 2007, compared to 2006, has been a combination of the higher sales levels discussed above, increased product pricing over the last two years, lower interest costs as a result of reduced debt levels, and the favorable impact of cost reduction actions announced in 2006. Those actions, which included reduced staffing of the organization, revisions to Company sponsored benefit plans, realignment of production capabilities, and a reduction in company-wide inventory, have definitely lowered the cost structure of the Company. Cost of goods sold as a percentage of sales decreased favorably for the first half to 78.6% compared to 82.8% at the mid-year of 2006, and selling, administration, and general operational expenses have also decreased favorably in 2007 to 21.1% compared to 24.6% for the first half of 2006. These levels are at their lowest levels since the year 2004, which was prior to the run up in raw material inflation and surcharges for energy and freight costs.

Balance Sheet Condition

The Company's balance sheet remains strong with working capital at a level consistent with the business activity. Inventory levels, while lower than last year at this time, are adequate to meet expected demand. We are able to maintain lower inventory levels, with a resulting stronger cash flow, because of the increased production flexibility provided by the facility expansions and equipment improvements made over the last several years. Total debt at July 1, 2007 is $44.7 million, or $9.3 million lower than at this point last year and as a percentage of total capital (debt and equity) is 36.1% versus 39.1% last year.

Dividends

At its meeting on July 18, 2007, the Board of Directors declared a quarterly common stock dividend of $0.17 per share payable August 31, 2007 with a record date of August 10, 2007.

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 Pink Sheets, LLC, 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 Advisors, N.A. at the above address.

BURNHAM HOLDINGS, INC.

Consolidated Balance Sheet

(In thousands)
(December year-end audited, quarterly data unaudited (see Notes))

	July 1, 2007	Period Ended December 31, 2006	July 2, 2006
Assets			
Current Assets			
Cash and cash equivalents	**$ 1,268**	$ 2,968	$ 2,423
Marketable securities	**751**	250	-
Trade and other accounts receivable, net	**29,920**	26,506	25,337
Inventories	**54,181**	43,043	63,743
Prepayments and other current assets	**4,499**	4,321	6,653
Total current assets	**90,619**	77,088	98,156
Property, plant and equipment, net	**50,179**	51,427	52,613
Other assets, net (6)	**22,053**	23,638	29,761
Total Assets	**$ 162,851**	$ 152,153	$ 180,530
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	**$ 28,880**	$ 29,465	$ 30,226
Short-term borrowings (7)	**-**	6,655	28,071
Current portion of long-term liabilities (7)	**366**	4,079	3,498
Total current liabilities	**29,246**	40,199	61,795
Long-term liabilities (7)	**44,360**	20,884	22,422
Other postretirement liabilities	**3,400**	3,405	1,398
Deferred income taxes	**6,554**	6,474	10,655
Total stockholders' equity (5) (6)	**79,291**	81,191	84,260
Total Liabilities and Stockholders' Equity	**$ 162,851**	$ 152,153	$ 180,530

Consolidated Statements of Cash Flows

	Six Months Ended July 1, 2007	July 2, 2006
OPERATING ACTIVITIES		
Net loss	**$ (508)**	$ (4,954)
Depreciation and amortization	**2,806**	2,671
Other net adjustments	**1,007**	979
Changes in operating assets and liabilities	**(14,601)**	(13,643)
NET CASH USED IN OPERATING ACTIVITIES	**(11,296)**	(14,947)
NET CASH USED IN THE PURCHASE OF ASSETS	**(1,497)**	(1,558)
CASH USED TO PURCHASE MARKETABLE SECURITIES	**(501)**	-
FINANCING ACTIVITIES		
Proceeds from borrowings	**38,546**	21,159
Principle payments on debt and lease obligations	**(25,438)**	(2,070)
Net purchase of stock and stock option proceeds	**-**	17
Dividends paid	**(1,514)**	(2,591)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**11,594**	16,515
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	**(1,700)**	10
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	**2,968**	2,413
CASH AND EQUIVALENTS AT END OF PERIOD	**$ 1,268**	$ 2,423

Consolidated Statements of Operations

(In thousands, except per share data)
(Data is unaudited (see Notes))

	Three months ended July 1, 2007	July 2, 2006	Six months ended July 1, 2007	July 2, 2006
Net sales	**$ 47,924**	$ 42,706	**$ 94,484**	$ 85,979
Cost of goods sold	**36,917**	35,339	**74,312**	71,203
Gross profit	**11,007**	7,367	**20,172**	14,776
Selling, administrative and general expense	**10,308**	10,373	**19,889**	21,164
Operating gain (loss)	**699**	(3,006)	**283**	(6,388)
Other income (expense)				
Mark-to-Market (5)	**203**	-	**(46)**	10
Interest income	**25**	8	**47**	17
Interest expense	**(622)**	(729)	**(1,070)**	(1,441)
Other Income (expense)	**(394)**	(721)	**(1,069)**	(1,414)
Gain (loss) before income taxes	**305**	(3,727)	**(786)**	(7,802)
Income tax expense (benefit)	**108**	(1,361)	**(278)**	(2,848)
Net gain (loss)	**$ 197**	$ (2,366)	**$ (508)**	$ (4,954)
Basic and diluted gain (loss) per share	**$ 0.05**	$ (0.53)	**$ (0.11)**	$ (1.12)
Dividends paid	**$ 0.17**	$ 0.29	**$ 0.34**	$ 0.58

Notes:

(1) The accompanying unaudited financial statements contain adjustments that are necessary for a fair presentation of results and are consistently applied for presented periods. 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 December 31, 2006. Certain reclassifications and revisions have been made to the prior period financial statements to be consistent with the current reporting format.

(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 July 1, 2007 includes 2,766,857 of Class A shares and 1,685,032 of Class B Shares.

(4) In the first half of 2006 the Company made contributions of $0.6 million into its defined pension plan, $0.4 million cash impact after considering the income tax benefit. These payments increased the plan assets available for covered employees and did not impact the Statement of Operations but are reflected as increases to the plan's prepaid benefit cost shown on the Consolidated Balance Sheet as part of Other assets. In the Statement of Cash Flows, the payment is shown as part of the change in operating assets and liabilities (cash used). There have been no payments to the plan for 2007.

(5) Mark-to-Market adjustments are a result of changes (non-cash) in the fair value of interest rate derivatives. These derivatives are used to exchange the interest rate stream on variable rate debt for payments indexed to a fixed interest rate. With the refinancing of a portion of the Company's debt on March 1, 2007 (see Note 5 of the 2006 Annual Report), the derivatives tied to the original term notes and reported within Stockholders' Equity, have been reclassified. Future changes in fair value will be reported in the Company's Statement of Operations.

(6) New accounting rules in 2006 required recognition of the funded status of pensions and postretirement benefits as a net liability or asset. As part of the new rules, actuarially determined gains from the past were recorded as a reduction of Stockholders' Equity. The non-cash impact to Burnham was a reduction in Other assets and a charge to Stockholders' Equity of $4.3 million (after tax) (see Note 9 of the 2006 Annual Report).

(7) All borrowings under the March 1, 2007 debt agreement (see Note 5 of the 2006 Annual Report) are classified as long-term on the Consolidated Balance Sheet.