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.

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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.

BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

Six Months Ended June 28, 2009

To Our Shareholders:

Second quarter and year-to-date sales were $37.0 million and $71.7 million, respectively. Prior year second quarter and year-to-date sales were $44.8 million and $86.9 million, respectively. First half sales declined $15.2 million, or 17.5%, compared to a year ago, consistent with the weakness in the industry. The decline occurred for both residential and commercial products. We expect market conditions to be challenging until the economy eventually recovers, and credit availability, housing, real estate activity, and consumer confidence return to a more normal level. 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 is financially and operationally strong. Existing boilers will continue to be replaced over time due to age or operating costs, and our powerful lineup of high-efficiency residential and commercial products positions us well in the market. We produce top-quality, high-value equipment for virtually any application. As we approach the upcoming heating season, we are scheduling our manufacturing facilities for the normal pattern of higher demand in the second half.

Financial Results

The loss for the second quarter and year-to-date was $(115) thousand or $(0.03) per share, and $(1.3) million or $(0.30) per share, respectively. This compares favorably to 2008 second quarter and year-to-date losses of $(1.0) million or $(0.22) per share, and $(2.2) million or $(0.50) per share, respectively. The lower sales levels discussed above have negatively impacted the 2009 first half results through both the loss of the gross profits on this volume, and through lower production requirements which lower the coverage of fixed costs. Favorably offsetting the loss in sales has been our continuous and systematic evaluation of our cost structure during this economic recession to remain cost competitive in the market. Results for the second quarter are indicative of those efforts, as despite the $7.8 million lower sales, we achieved a breakeven at the operating income line. Cost of goods sold as a percentage of sales for the quarter was 78.1%, an improvement from the 2008 level of 82.8% (first half percentages were 79.4% and 82.1% for 2009 and 2008, respectively) 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 for the quarter were $8.0 million versus $9.2 million in 2008, and first half expenses for 2009 were $16.4 million compared with $18.3 million shown last year. Other income (expense) was unfavorable in the quarter-to-quarter comparison but remains lower for the first half mainly as a result of fluctuations in the mark-to-market of interest rate agreements. Interest expense costs are lower for the quarter and first half because of reduced borrowing rates.

Balance Sheet Condition

The Company's balance sheet remains strong with working capital at a level consistent with the business activity. Bank and State financed debt was $41.2 million at June 28, 2009, down slightly from the $41.3 million at the same point in 2008 while at the same time our cash, cash equivalents, and marketable securities have increased. The net cash used in operations for the six months was $10.7 million in 2009, $700 thousand better than the $11.4 million used in 2008 (see Consolidated Statements of Cash Flows). The 2009 favorable cash flow was achieved despite contributing $2.6 million (pre-tax) to the pension trust (there were no payments in the first half of 2008), and was primarily generated from receipt of the high accounts receivable balance at the end of 2008 (discussed in the 2008 Annual Report).

Dividends

At its meeting on July 16, 2009, the Board of Directors declared a quarterly common stock dividend of $0.17 per share payable August 28, 2009, with a record date of August 7, 2009.

A. Morrison, III
Chairman and CEO

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	June 28, 2009	Period Ended December 31, 2008	June 29 2008
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	**$ 3,963**	$ 3,608	$ 3,432
Trade and other accounts receivable, net	**23,100**	30,165	26,500
Inventories	**58,195**	45,695	55,647
Prepayments and other current assets	**3,545**	3,019	4,873
Total current assets	**88,803**	82,487	90,452
Property, plant and equipment, net	**47,043**	48,202	48,148
Deferred income taxes (6)	**2,563**	2,776	-
Other assets, net (6)	**22,076**	21,815	31,834
Total Assets	**$ 160,485**	$ 155,280	$ 170,434
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	**$ 26,330**	$ 30,160	$ 28,227
Current portion of long-term liabilities	**400**	398	403
Total current liabilities	**26,730**	30,558	28,630
Long-term liabilities	**42,787**	29,304	42,152
Other postretirement liabilities (4)(6)	**21,662**	23,649	3,385
Deferred income taxes (6)	**-**	-	9,362
Total stockholders' equity (6)	**69,306**	71,769	86,905
Total Liabilities and Stockholders' Equity	**$ 160,485**	$ 155,280	$ 170,434

Consolidated Statements of Cash Flows

	Six Months Ended June 28, 2009	June 29, 2008
OPERATING ACTIVITIES		
Net loss	**$ (1,329)**	$ (2,225)
Depreciation and amortization	**2,376**	2,533
Other net adjustments	**(1,528)**	(1,178)
Pension and postretirement liabilities expense	**691**	948
Contributions to pension trust (4)	**(2,643)**	-
Changes in operating assets and liabilities	**(8,262)**	(11,472)
NET CASH USED IN OPERATING ACTIVITIES	**(10,695)**	(11,394)
NET CASH USED IN THE PURCHASE OF ASSETS	**(1,146)**	(1,043)
FINANCING ACTIVITIES		
Proceeds from borrowings	**13,763**	13,942
Principle payments on debt and lease obligations	**(53)**	(55)
Dividends paid	**(1,514)**	(1,514)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**12,196**	12,373
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase (decrease) for period	**355**	(64)
Beginning of year	**3,608**	3,496
End of period	**$ 3,963**	$ 3,432

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended June 28, 2009	June 29, 2008	Six months ended June 28, 2009	June 29, 2008
Net sales	**$ 36,960**	$ 44,754	**$ 71,656**	$ 86,898
Cost of goods sold	**28,872**	37,062	**56,908**	71,362
Gross profit	**8,088**	7,692	**14,748**	15,536
Selling, administrative and general expense	**8,026**	9,202	**16,378**	18,260
Operating income (loss)	**62**	(1,510)	**(1,630)**	(2,724)
Other income (expense)				
Mark-to-Market (5)	**156**	389	**238**	21
Interest income	**1**	18	**2**	44
Interest expense	**(398)**	(458)	**(686)**	(817)
Other Income (expense)	**(241)**	(51)	**(446)**	(752)
Loss before taxes	**(179)**	(1,561)	**(2,076)**	(3,476)
Tax benefit	**(64)**	(562)	**(747)**	(1,251)
Net loss	**$ (115)**	$ (999)	**$ (1,329)**	$ (2,225)
Basic and Diluted loss per share	**$ (0.03)**	$ (0.22)	**$ (0.30)**	$ (0.50)
Dividends paid per share	**$ 0.17**	$ 0.17	**$ 0.34**	$ 0.34

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, 2008.

(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 June 28, 2009 includes 2,799,828 of Class A shares and 1,652,061 of Class B Shares.

(4) In 2009, the Company made pre-tax contributions of $2.6 million 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. There were no contributions to the plan in the first half of 2008.

(5) 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.

(6) 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. In 2008, pension plan assets declined as a result of the dramatic downturn in the stock market. The resulting non-cash impact to the balance sheet was a decline in "Other assets" of $10.7 million (the reversal of the 2007 established balance), an increase to the "Other postretirement liability" of $20.4 million (projected benefit obligations exceeded plan assets), and an after tax charge of $21.1 million to "Accumulated other comprehensive income (loss)", a non-cash sub-section of "Stockholders' Equity" (see Note 9 of the 2008 Annual Report for more details).