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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Inquiries about stock certificates, stock transfers, dividend payments or address changes should be directed to Fulton Financial at the above address.

BURNHAM HOLDINGS, INC.

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REPORT TO STOCKHOLDERS

Nine Months Ended September 27, 2009

To Our Shareholders:

Third quarter and year-to-date sales were $48.9 million and $120.5 million, respectively. Prior year third quarter and year-to-date sales were $62.9 million and $149.8 million, respectively. Sales for the quarter and nine months have declined approximately 20% compared to the same periods from a year ago, and are consistent with the weakness in the industry. The decline has 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. Existing boilers will continue to be replaced over time due to age or operating costs, and the powerful lineup of high-efficiency residential and commercial products sold through our subsidiary companies, position them well in the market.

Financial Results

The income for the third quarter and year-to-date was $1.4 million or $0.31 per share, and $65 thousand or $0.01 per share, respectively. This compares to 2008 third quarter and year-to-date income of $2.5 million or $0.56 per share, and $277 thousand or $0.06 per share, respectively. The lower sales levels discussed above have negatively impacted the 2009 results through both the loss of the gross profits on this volume, and through lower production requirements throughout the subsidiary companies. During the third quarter, manufacturing facilities scaled back production in order to balance inventory levels with the downturn in sales volume. While this reduction was essential to maintain the correct working capital levels, it had a negative impact through lower coverage of fixed costs. Favorably offsetting the loss in sales has been the continuous and systematic reduction to our cost structure during this economic recession to remain cost competitive in the market. Results for the nine months are indicative of those efforts, as despite the $29.3 million lower sales, we achieved a breakeven through this period. Cost of goods sold as a percentage of sales for the nine months was 78.5%, an improvement from the 2008 level of 79.9% 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 nine months were down $3.5 million versus 2008. Other income (expense) was favorable compared to both the prior year's quarter and nine months from gains in the mark-to-market of interest rate agreements and lower interest expense 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 and adequately positioned for the heating season. Bank and state financed debt was $45.7 million at September 27, 2009, $3.4 million higher than the $42.3 million at September 28, 2008, however cash, cash equivalents, and marketable securities were higher by $525 thousand for a "net" higher debt of $2.9 million. The majority of this $2.9 million can be explained by the Company's contributions to its pension trust, $4.2 million (pre-tax) in the nine months of 2009 as compared to only $1.0 million (pre-tax) last year (see the Consolidated Statements of Cash Flows). In the fourth quarter of 2008, the Company contributed an additional $1.8 million (pre-tax) to the pension trust while no further deposits are planned for 2009. This reduced use of funds for the 2009 fourth quarter combined with plans to further reduce working capital prior to year-end, results in forecasted borrowing levels at (or below) 2008 year-end balances.

Dividend Practice

For many years, the Company has followed the practice of paying quarterly common stock dividends generally in March, June, September and December, subject to the Board's evaluation of the Company's financial performance. The Board believes that it is more prudent to evaluate the dividend declaration at its regular Board meeting scheduled as close as practical to the dividend payment date. Therefore, with respect to the December 2009 and future dividends, it is the Board's intention to evaluate declaration of a December dividend at its December meeting, a March dividend at its February meeting, a June dividend at its April meeting, and a September dividend at its July meeting. Semi-annual preferred dividends will be declared at the April and December meetings.

A. Morrison, III ***Chairman and CEO***

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	September 27, 2009	Period Ended December 31, 2008	September 28, 2008
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	$ 3,895	$ 3,608	$ 3,370
Trade and other accounts receivable, net	29,644	30,165	38,678
Inventories	53,541	45,695	53,988
Prepayments and other current assets	3,400	3,019	3,543
Total current assets	90,480	82,487	99,579
Property, plant and equipment, net	46,539	48,202	47,778
Deferred income taxes (6)	2,718	2,776	-
Other assets, net (6)	21,674	21,815	32,447
Total Assets	$ 161,411	$ 155,280	$ 179,804
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	$ 23,789	$ 30,160	$ 34,816
Current portion of long-term liabilities	400	398	404
Total current liabilities	24,189	30,558	35,220
Long-term liabilities	47,354	29,304	43,231
Other postretirement liabilities (4)(6)	20,167	23,649	3,457
Deferred income taxes (6)	-	-	9,323
Total stockholders' equity (6)	69,701	71,769	88,573
Total Liabilities and Stockholders' Equity	$ 161,411	$ 155,280	$ 179,804

Consolidated Statements of Cash Flows

	Nine Months Ended September 27, 2009	Nine Months Ended September 28, 2008
OPERATING ACTIVITIES		
Net income	$ 65	$ 277
Depreciation and amortization	3,467	3,814
Other net adjustments	(1,556)	(362)
Pension and postretirement liabilities expense	891	1,340
Contributions to pension trust (4)	(4,200)	(1,000)
Changes in operating assets and liabilities	(12,549)	(15,002)
NET CASH USED IN OPERATING ACTIVITIES	(13,882)	(10,933)
NET CASH USED IN THE PURCHASE OF ASSETS	(1,705)	(1,879)
FINANCING ACTIVITIES		
Proceeds from borrowings	18,235	15,049
Principle payments on debt and lease obligations	(75)	(83)
Purchase of treasury stock	(6)	-
Dividends paid	(2,280)	(2,280)
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,874	12,686
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase (decrease) for period	287	(126)
Beginning of year	3,608	3,496
End of period	$ 3,895	$ 3,370

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended September 27, 2009	Three months ended September 28, 2008	Nine months ended September 27, 2009	Nine months ended September 28, 2008
Net sales	$ 48,854	$ 62,904	$ 120,510	$ 149,802
Cost of goods sold	37,722	48,381	94,630	119,743
Gross profit	11,132	14,523	25,880	30,059
Selling, administrative and general expense	8,504	10,143	24,882	28,403
Operating income	2,628	4,380	998	1,656
Other income (expense)				
Mark-to-Market (5)	26	-	264	21
Interest income	1	18	3	62
Interest expense	(477)	(489)	(1,163)	(1,306)
Other Income (expense)	(450)	(471)	(896)	(1,223)
Income before taxes	2,178	3,909	102	433
Income tax expense	784	1,407	37	156
Net income	$ 1,394	$ 2,502	$ 65	$ 277
Basic and Diluted income per share	$ 0.31	$ 0.56	$ 0.01	$ 0.06
Dividends paid per share	$ 0.17	$ 0.17	$ 0.51	$ 0.51

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 September 27, 2009 includes 2,808,828 of Class A shares and 1,643,061 of Class B Shares.

(4) In 2009, the Company made pre-tax contributions of $4.2 million to its defined pension plan ($1.6 million in the third quarter), compared to $1.0 million contributed in 2008. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities") and did not impact the Statement of Operations.

(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).