## 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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Vice President, 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 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.

# BURNHAM HOLDINGS, INC.

# REPORT TO STOCKHOLDERS

**Six Months Ended June 27, 2010**

## To Our Shareholders:

Second quarter and year-to-date sales were $35.6 million and $71.1 million, respectively. Prior year second quarter and year-to-date sales were $37.0 million and $71.7 million, respectively. Adjusting the quarter and first half sales for both years to remove the revenue of Wendland Manufacturing Corp., sold on February 22, 2010, quarter to quarter sales are basically identical and sales for the first half are 2% higher than 2009. This compares to our various markets that are generally flat to moderately down from last year. 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. 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 losses for the second quarter and year-to-date were $(122) thousand or $(0.03) per share, and $(942) thousand or $(0.21) per share, respectively. This compares favorably to 2009, when quarter and year-to-date losses were $(115) thousand or $(0.03) per share, and $(1.3) million or $(0.30) per share, 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 2010, for both the quarter and year-to-date, were basically equal to the same periods of 2009 (2010 at 77.7% and 79.3%, respectively, versus 2009 at 78.1% and 79.4%, respectively). This reflects the results of product pricing actions matched effectively with changes in raw material costs and from strict control of manufacturing overhead expenses. Selling, administrative, and general expenses were 5% lower for the first half compared to the prior year, $15.5 million versus $16.4 million in 2009, and were 1% lower as a percentage of sales. The resulting favorable impact from the above-mentioned cost drivers are that operating dollars and profit margins, for both the quarter and first half, are better than last year despite the flat sales. Other income (expense) was unfavorable for the quarter and first half, compared to the same periods of last year, mainly as a result of fluctuations in the mark-to-market of interest rate agreements.

## Balance Sheet Condition

The Company's balance sheet remains strong with working capital at a level consistent with the business activity. Total debt was $33.2 million at June 27, 2010, down substantially from $42.9 million at the same point in 2009. Our spending for capital equipment of $1.5 million (an increase of $392 thousand over 2009) was paid for partially by the cash proceeds from selling the assets of Wendland Manufacturing Corp. in Texas. The net cash used in operations for the six months was $10.1 million, which was better than the $10.7 million used in 2009 (see Consolidated Statements of Cash Flows for details).

## Dividends

At its meeting on July 15, 2010, the Board of Directors declared a quarterly common stock dividend of $0.17 per share payable September 1, 2010, with a record date of August 23, 2010.

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

## Consolidated Balance Sheets

| (In thousands)<br>(December year-end audited, quarterly data unaudited (see Notes)) | June 27, 2010 | Period Ended December 31, 2009 | June 28 2009 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash, cash equivalents, and marketable securities | $ 3,956 | $ 3,827 | $ 3,963 |
| Trade and other accounts receivable, net | 20,740 | 23,767 | 23,100 |
| Inventories | 50,884 | 38,897 | 58,195 |
| Prepayments and other current assets | 2,794 | 3,073 | 3,545 |
| Total current assets | 78,374 | 69,564 | 88,803 |
| Property, plant and equipment, net | 44,308 | 45,720 | 47,043 |
| Deferred income taxes (5) | 1,189 | 777 | 2,563 |
| Other assets, net | 21,813 | 22,373 | 22,076 |
| Total Assets | $ 145,684 | $ 138,434 | $ 160,485 |
| **Liabilities and Stockholders' Equity** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses (including taxes) | $ 22,198 | $ 23,058 | $ 26,330 |
| Current portion of long-term liabilities | 344 | 343 | 400 |
| Total current liabilities | 22,542 | 23,401 | 26,730 |
| Long-term debt | 33,075 | 20,128 | 42,787 |
| Other postretirement liabilities (5)(6) | 19,644 | 21,396 | 21,662 |
| Total stockholders' equity (5) | 70,423 | 73,509 | 69,306 |
| Total Liabilities and Stockholders' Equity | $ 145,684 | $ 138,434 | $ 160,485 |

## Consolidated Statements of Cash Flows

| | Six Months Ended June 27, 2010 | Six Months Ended June 28, 2009 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | $ (942) | $ (1,329) |
| Depreciation and amortization | 2,292 | 2,376 |
| Other net adjustments | (760) | (1,528) |
| Pension and postretirement liabilities expense | 380 | 691 |
| Contributions to pension trust (6) | (2,100) | (2,643) |
| Changes in operating assets and liabilities | (8,992) | (8,262) |
| NET CASH USED IN OPERATING ACTIVITIES | (10,122) | (10,695) |
| NET CASH USED IN THE PURCHASE OF ASSETS | (1,538) | (1,146) |
| PROCEEDS FROM SALE OF ASSETS (7) | 871 | - |
| FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 12,500 | 13,763 |
| Principle payments on debt and lease obligations | (119) | (53) |
| Proceeds from exercise of stock options | 51 | - |
| Dividends paid | (1,514) | (1,514) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 10,918 | 12,196 |
| CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES | | |
| Increase for period | 129 | 355 |
| Beginning of year | 3,827 | 3,608 |
| End of period | $ 3,956 | $ 3,963 |

## Consolidated Statements of Operations

| (In thousands, except per share data)<br>(Data is unaudited (see Notes)) | Three months ended June 27, 2010 | Three months ended June 28, 2009 | Six months ended June 27, 2010 | Six months ended June 28, 2009 |
|---|---|---|---|---|
| Net sales | $ 35,623 | $ 36,960 | $ 71,148 | $ 71,656 |
| Cost of goods sold | 27,689 | 28,872 | 56,420 | 56,908 |
| Gross profit | 7,934 | 8,088 | 14,728 | 14,748 |
| Selling, administrative and general expense | 7,724 | 8,026 | 15,496 | 16,378 |
| Operating income (loss) | 210 | 62 | (768) | (1,630) |
| Other income (expense) | | | | |
| Mark-to-Market (4) | 31 | 156 | 71 | 238 |
| Interest income | 1 | 1 | 1 | 2 |
| Interest expense | (433) | (398) | (776) | (686) |
| Other Income (expense) | (401) | (241) | (704) | (446) |
| Loss before taxes | (191) | (179) | (1,472) | (2,076) |
| Tax benefit | (69) | (64) | (530) | (747) |
| Net loss | $ (122) | $ (115) | $ (942) | $ (1,329) |
| Basic and Diluted loss per share | $ (0.03) | $ (0.03) | $ (0.21) | $ (0.30) |
| 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, 2009.

(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 at June 27, 2010 includes 2,857,179 of Class A shares and 1,598,459 of Class B shares.

(4) 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.

(5) 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).

(6) In the first half of 2010 and 2009, the Company made voluntary pre-tax contributions of $2.1 million and $2.6 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.

(7) On February 22, 2010, the Company sold the assets of Wendland Manufacturing Corp. in Texas. The sale was recorded in the 2009 financial statements, while the transfer of cash occurred on the date of sale.