

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:

Audrey L. Behr, Financial Services Administrator or Douglas B. Springer, Vice President, Chief Financial Officer.

Transfer Agent

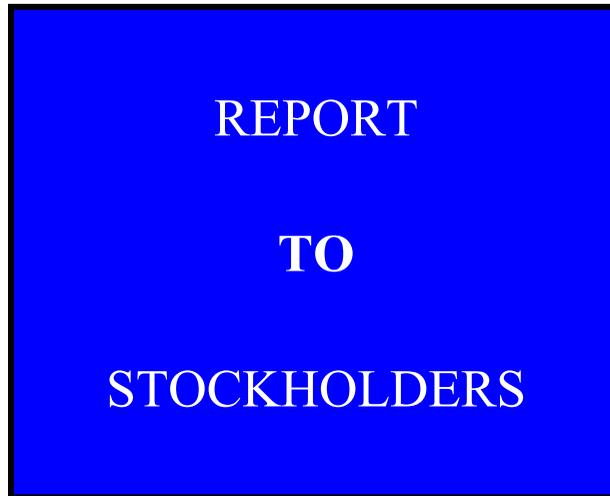
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Lancaster, PA 17602
(717) 291-2562

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.](http://www.burnhamholdings.com)

BURNHAM HOLDINGS, INC.



**Nine Months Ended
September 26, 2010**

To Our Shareholders:

Third quarter and year-to-date sales were \$50.2 million and \$121.3 million, respectively. This reflects increased sales compared to the prior year third quarter and year-to-date, which were \$48.9 million and \$120.5 million, respectively. Adjusting the quarter and nine months sales for both years to remove the revenue of Wendland Manufacturing Corp. (Note 7), quarter to quarter sales are 4% higher and sales year-to-date are 3% 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. With a firm foundation based on our core principles and philosophy, Burnham Holdings is financially and operationally strong. 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 \$1.6 million or \$0.36 per share, and \$677 thousand or \$0.15 per share, respectively. This compares favorably to 2009 third quarter and year-to-date income of \$1.4 million or \$0.31 per share, and \$65 thousand or \$0.01 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 better than the same periods of 2009 (2010 at 76.5% and 78.1%, respectively, versus 2009 at 77.2% and 78.5%, 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 lower for the nine months compared to the prior year, \$24.3 million versus \$24.9 million in 2009, and were lower as a percentage of sales. The resulting favorable impact from the above-mentioned cost drivers is that operating dollars and profit margins, for both the quarter and nine months, are better than last year. Other income (expense) was slightly higher for the quarter and nine months, compared to the same periods of last year, as a

result of fluctuations in the mark-to-market of interest rate agreements and increased interest expense from changes in 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. Total debt was \$39.0 million at September 26, 2010, down substantially from \$47.5 million at the same point in 2009. Our spending for capital equipment of \$2.8 million (an increase of \$1.1 million over 2009 spending levels) was paid for partially by the cash proceeds from selling assets of Wendland Manufacturing Corp. (Note 7). The net cash used in operations for the nine months was \$12.7 million, which was better than the \$13.9 million used in 2009 (see Consolidated Statements of Cash Flows for details).

Other Information

The Company and one of its subsidiaries have been served with a class action lawsuit relating generally to boiler products manufactured and sold by a predecessor to one of the Company's subsidiaries more than ten years ago. Substantial warranty reserves for that predecessor were disclosed in the 2000, 2001 and 2002 annual reports. Generally, class action lawsuits are complex and take many months or years to resolve. The Company intends to vigorously defend the lawsuit, and while we believe there are viable defenses to Plaintiffs' claims, the ultimate resolution of this matter, as with any litigation, entails significant risks and uncertainties. Accordingly, there can be no assurance that the ultimate cost of resolving this matter will not be material.

As a reminder, the Board of Directors evaluates the Company's financial performance at its regular scheduled December meeting for consideration of December dividends. Also, it should be noted that the Company's Annual Meeting, normally the fourth Monday of April, will be moved to the fourth Tuesday in April 2011, the 26th, in light of the Easter Holiday weekend.

Additionally, included in this mailing you will find an insert that highlights a "Recognition of Excellence" received by U.S. Boiler Company, Inc. from Consumers Digest for two of its Burnham brand products.

A. Morrison, III *Chairman and CEO*

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	Period Ended		
	September 26, 2010	December 31, 2009	September 27, 2009
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	\$ 4,634	\$ 3,827	\$ 3,895
Trade and other accounts receivable, net	29,436	23,767	29,644
Inventories	51,104	38,897	53,541
Prepayments and other current assets	3,121	3,073	3,400
Total current assets	<u>88,295</u>	<u>69,564</u>	<u>90,480</u>
Property, plant and equipment, net	44,538	45,720	46,539
Deferred income taxes (5)	1,385	777	2,718
Other assets, net	21,780	22,373	21,674
Total Assets	<u>\$ 155,998</u>	<u>\$ 138,434</u>	<u>\$ 161,411</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	\$ 26,370	\$ 23,058	\$ 23,789
Current portion of long-term liabilities	270	343	400
Total current liabilities	<u>26,640</u>	<u>23,401</u>	<u>24,189</u>
Long-term debt	38,962	20,128	47,354
Other postretirement liabilities (5)(6)	19,468	21,396	20,167
Total stockholders' equity (5)	70,928	73,509	69,701
Total Liabilities and Stockholders' Equity	<u>\$ 155,998</u>	<u>\$ 138,434</u>	<u>\$ 161,411</u>

Consolidated Statements of Cash Flows

	Nine Months Ended	
	September 26, 2010	September 27, 2009
OPERATING ACTIVITIES		
Net income	\$ 677	\$ 65
Depreciation and amortization	3,347	3,467
Other net adjustments	(128)	(1,556)
Pension and postretirement liabilities expense	570	891
Contributions to pension trust (6)	(2,450)	(4,200)
Changes in operating assets and liabilities	(14,694)	(12,549)
NET CASH USED IN OPERATING ACTIVITIES	<u>(12,678)</u>	<u>(13,882)</u>
NET CASH USED IN THE PURCHASE OF ASSETS	<u>(2,805)</u>	<u>(1,705)</u>
PROCEEDS FROM SALE OF ASSETS (7)	871	-
FINANCING ACTIVITIES		
Proceeds from borrowings	18,000	18,235
Principle payments on debt and lease obligations	(352)	(75)
Exercise of stock options and (purchase) of treasury stock	51	(6)
Dividends paid	(2,280)	(2,280)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>15,419</u>	<u>15,874</u>
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	807	287
Beginning of year	3,827	3,608
End of period	<u>\$ 4,634</u>	<u>\$ 3,895</u>

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended		Nine months ended	
	September 26, 2010	September 27, 2009	September 26, 2010	September 27, 2009
Net sales	\$ 50,168	\$ 48,854	\$ 121,316	\$ 120,510
Cost of goods sold	38,379	37,722	94,799	94,630
Gross profit	<u>11,789</u>	<u>11,132</u>	<u>26,517</u>	<u>25,880</u>
Selling, administrative and general expense	8,786	8,504	24,282	24,882
Operating income	<u>3,003</u>	<u>2,628</u>	<u>2,235</u>	<u>998</u>
Other income (expense)				
Mark-to-Market (4)	32	26	103	264
Interest income	-	1	1	3
Interest expense	(538)	(477)	(1,314)	(1,163)
Other Income (expense)	<u>(506)</u>	<u>(450)</u>	<u>(1,210)</u>	<u>(896)</u>
Income before taxes	2,497	2,178	1,025	102
Tax expense	878	784	348	37
Net income	<u>\$ 1,619</u>	<u>\$ 1,394</u>	<u>\$ 677</u>	<u>\$ 65</u>
Basic and Diluted income per share	<u>\$ 0.36</u>	<u>\$ 0.31</u>	<u>\$ 0.15</u>	<u>\$ 0.01</u>
Dividends paid per share	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.51</u>	<u>\$ 0.51</u>

Notes:

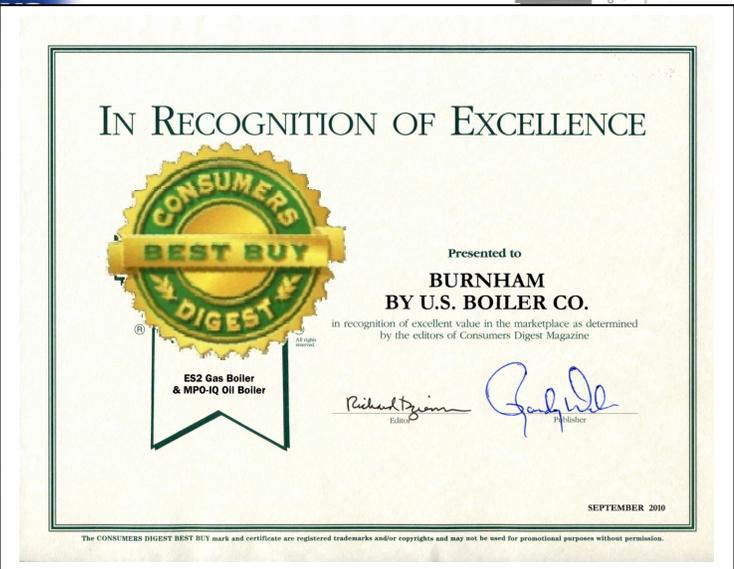
- The accompanying unaudited financial statements contain adjustments that are necessary for a fair presentation of the interim results, and these adjustments are applied consistently for the periods presented. The results for any interim period are not necessarily indicative of results for the full 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 at September 26, 2010 is 2,864,849 of Class A shares and 1,590,789 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 nine months of 2010 and 2009, the Company made voluntary pre-tax contributions of \$2.5 million and \$4.2 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 was recorded in the 2009 financial statements, while the transfer of cash occurred on the date of sale.

Dateline: September, 2010

Best Buys in Furnaces and Boilers



BEST BUY... RANGES • C... SPEAKER SY... MASSAGE-T...



GAS BOILERS



Burnham ES2

[E] Burnham ES2

MSRP: \$1,950 to \$2,730

>> The ES2 delivers unmatched quality and efficiency for an economy boiler. It is one of the least expensive models that we could find that includes outdoor reset as an option for additional energy savings. And you can add outdoor reset, among other features, to this model via a simple plug-in module—a feature that's typical of Burnham's penchant for easy installation.

Features:

- * Peak efficiency: 85.0 AFUE
* Input: 70 to 280 MBH
* Warranty: Lifetime heat exchanger (10-yr. free); 1-yr. parts

OIL BOILERS



[M] Burnham MPO-IQ

MSRP: \$2,619 to \$3,476

>> The new MPO-IQ still has the elements that made the previous version a Best Buy pick in 2008—the best combination of efficiency and quality of any model that is in this price range. But now it incorporates a plug-and-play control system that lets you add optional features, such as outdoor reset, quickly at a later date.

Features:

- * Peak efficiency: 87.0 AFUE
* Input: 84 to 231 MBH
* Warranty: Lifetime heat exchanger (10-yr. free); 1-yr. parts



Consumers Digest



September, 2010

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What Is A Best Buy?

A CONSUMERS DIGEST Best Buy is defined as a product that offers the most value for a given amount of money.



That doesn't mean it is the least expensive product in its category, nor does it mean it is the best-known brand. A Consumers Digest Best Buy is a nationally available product we've identified as one that merits special attention from consumers based on its combination of performance, ease-of-use, features, durability, warranty, efficiency, styling, and maintenance and servicing requirements. Of course, every product category includes many worthwhile purchases that didn't make our list of Best Buys. Some will be very satisfactory in use; others are excellent products but, because of their premium prices, not exceptional values. For us, *value* is defined as a simple equation: perceived quality divided by cost. Consequently, price is an important factor in naming our Best Buys.

As always, the sources for all Consumers Digest Best Buy recommendations are based on criteria derived from at least three of the following: **1.** Personal (hands-on) product evaluations by the authors and researchers; **2.** Independent testing and research facilities, including colleges and universities, technical schools and independent labs; **3.** Reports from federal, state and other governmental agencies; **4.** Other independent technical experts; **5.** Retail establishments; **6.** Service outlets; **7.** Consumers Digest reader and other consumer surveys; **8.** Previously published evaluations in books, magazines, newspapers, Web sites, etc.

Because different people have different price levels at which they define value, Consumers Digest Best Buys are further refined as follows: **[P]** *Premium Selection* denoting that the product is full-featured and priced accordingly; **[M]** *Midrange Selection* denoting that the product offers many popular features and good performance at a price below the top-of-the-line for the product category; and **[E]** *Economy Selection* denoting that the product offers satisfactory performance with basic features only, at an advantageous price for cost-conscious purchasers.