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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BURNHAM HOLDINGS, INC.

BURNHAM HOLDINGS, INC.

REPORT

TO

STOCKHOLDERS

**Six Months Ended
June 29, 2008**

To Our Shareholders:

Second quarter and year-to-date sales were $44.8 million and $86.9 million, respectively. Prior year second quarter and year-to-date sales were $47.9 million and $94.5 million, respectively. First half sales have declined $7.6 million, or 8%, compared to a year ago. The decline has been experienced in both our residential and commercial products. With the economic conditions that continue to dominate the national news, namely declining housing and real estate markets, rising fuel prices, and tightening of credit, the residential industry is seeing a reluctance by both the end-consumer and distributors to over-extend themselves beyond immediate needs. Broad measures of the residential market such as the cast iron boiler industry and the gas warm air furnace industry are down 15% and 18%, respectively, on a unit basis. While economic concerns have not impacted our commercial business as dramatically, that portion of our business is down moderately from the strong first half it experienced in 2007. Although current conditions remain challenging, 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 our new powerful lineup of high-efficiency residential and commercial products position 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 loss for the second quarter and year-to-date was $(1.0) million or $(0.22) per share, and $(2.2) million or $(0.50) per share, respectively. The 2007 second quarter gain was $197 thousand or $0.05 per share, while the year-to-date loss was $(508) thousand or $(0.11) per share. The lower sales levels discussed above have negatively impacted the 2008 first half results through both the loss of the gross profits on this volume, and through lower production requirements which lowers coverage of fixed costs. Additionally, as we discussed in our first quarter Report, the Burnham group of companies, like most users of steel products in the United States, is experiencing cost increases for raw steel and steel related products reminiscent of year 2004. In the first half, raw material price increases on new material purchases were over $2 million, or approximately 2.5% of net sales, higher than the last prices paid at the end of 2007. We have announced product price increases within all of our businesses to mitigate these cost impacts, while at the same time being cognizant of our need to remain cost competitive in this difficult market. Selling, administrative, and general expense was lower in dollars, and as a percentage of sales, compared to the prior year (both for the quarter and year-to-date) and is indicative of actions taken by Burnham to lower its cost structure. To further highlight this cost structure change, it may be useful to compare the current first half results with the first half results of 2005. In 2005, a year of normal price inflation, Burnham experienced first half sales of $94.0 million (similar to 2007 but $7 million higher than 2008) with a net loss of $(2.7) million (a greater loss than this year on substantially higher sales).

Balance Sheet Condition

The Company's balance sheet remains strong with high liquidity and working capital at a level consistent with the business activity. Inventory levels are only slightly higher than last year at this time despite the sharp increase in raw material costs, increases resulting from our new product introductions, and increases within our commercial businesses that have experienced growth. We are able to maintain steady 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 June 29, 2008 is $42.3 million, or $2.2 million lower than at this point last year, and as a percentage of total capital (debt and equity) is 32.7% versus 35.9% last year.

Dividends

At its meeting on July 17, 2008, the Board of Directors declared a quarterly common stock dividend of $0.17 per share payable August 29, 2008, with a record date of August 8, 2008.

A. Morrison, III, *Chairman and CEO*

Consolidated Balance Sheet

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	June 29, 2008	Period Ended December 31, 2007	July 1, 2007
Assets			
Current Assets			
Cash and cash equivalents	**$ 3,432**	$ 2,741	$ 1,268
Marketable securities	**-**	755	751
Trade and other accounts receivable, net	**26,500**	26,743	29,920
Inventories	**55,647**	45,034	54,181
Prepayments and other current assets	**4,873**	3,703	4,499
Total current assets	**90,452**	78,976	90,619
Property, plant and equipment, net	**48,148**	49,499	50,179
Other assets, net (5)	**31,834**	32,785	22,053
Total Assets	**$ 170,434**	$ 161,260	$ 162,851
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	**$ 28,227**	$ 29,315	$ 28,880
Current portion of long-term liabilities	**403**	402	366
Total current liabilities	**28,630**	29,717	29,246
Long-term debt	**42,152**	28,266	44,360
Other postretirement liabilities	**3,385**	3,247	3,400
Deferred income taxes (5)	**9,362**	9,417	6,554
Total stockholders' equity (5)	**86,905**	90,613	79,291
Total Liabilities and Stockholders' Equity	**$ 170,434**	$ 161,260	$ 162,851

Consolidated Statements of Cash Flows

	Six Months Ended June 29, 2008	Six Months Ended July 1, 2007
OPERATING ACTIVITIES		
Net loss	**$ (2,225)**	$ (508)
Depreciation and amortization	**2,533**	2,806
Other net adjustments	**(480)**	1,007
Changes in operating assets and liabilities	**(11,222)**	(14,601)
NET CASH USED IN OPERATING ACTIVITIES	**(11,394)**	(11,296)
NET CASH USED IN THE PURCHASE OF ASSETS	**(1,043)**	(1,497)
CASH PROVIDED BY (USED IN) MARKETABLE SECURITIES	**755**	(501)
FINANCING ACTIVITIES		
Proceeds from borrowings	**13,942**	38,546
Principle payments on debt and lease obligations	**(55)**	(25,438)
Dividends paid	**(1,514)**	(1,514)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**12,373**	11,594
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**691**	(1,700)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	**2,741**	2,968
CASH AND EQUIVALENTS AT END OF PERIOD	**$ 3,432**	$ 1,268

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended June 29, 2008	Three months ended July 1, 2007	Six months ended June 29, 2008	Six months ended July 1, 2007
Net sales	**$ 44,754**	$ 47,924	**$ 86,898**	$ 94,484
Cost of goods sold	**37,062**	36,917	**71,362**	74,312
Gross profit	**7,692**	11,007	**15,536**	20,172
Selling, administrative and general expense	**9,202**	10,308	**18,260**	19,889
Operating (loss) gain	**(1,510)**	699	**(2,724)**	283
Other income (expense)				
Mark-to-market gain (loss) (4)	**389**	203	**21**	(46)
Interest income	**18**	25	**44**	47
Interest expense	**(458)**	(622)	**(817)**	(1,070)
Other income (expense)	**(51)**	(394)	**(752)**	(1,069)
(Loss) gain before income taxes	**(1,561)**	305	**(3,476)**	(786)
Income tax expense (benefit)	**(562)**	108	**(1,251)**	(278)
Net (loss) gain	**$ (999)**	$ 197	**$ (2,225)**	$ (508)
Basic and diluted (loss) gain per share	**$ (0.22)**	$ 0.05	**$ (0.50)**	$ (0.11)
Dividends paid	**$ 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 December 31, 2007.

(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 29, 2008 includes 2,795,378 of Class A shares and 1,656,511 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 are recorded on a quarterly basis but reverse themselves over the term of the agreements.

(5) In 2006, accounting rule changes required recognition of the funded status of pensions and postretirement benefits as a net liability or asset on the Company's balance sheet. On an annual basis, changes in the funded position of these obligations are recorded as an adjustment to the liability or asset with an offsetting change (net of deferred taxes) in Other Comprehensive Income (Loss), a sub-section of Stockholders' Equity. The primary 2007 year-end, non-cash change for Burnham was a net increase in Other Assets of $9.7 million and a net increase to Stockholders' Equity of $7.3 million (after tax) (see Note 9 of the 2007 Annual Report).