

McGladrey & Pullen

Certified Public Accountants

BNS Holding, Inc. and Subsidiaries

Consolidated Financial Report
12.31.07

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
BNS Holding, Inc.
Los Gatos, California

We have audited the consolidated balance sheets of BNS Holding, Inc. and Subsidiaries as of October 31, 2007 (successor) and 2006 (successor) and the related consolidated statements of income for the years ended October 31, 2007 (successor) and 2006 (predecessor), shareholders' investment for the year ended October 31, 2007 (successor) and cash flows for the years ended October 31, 2007 (successor) and 2006 (predecessor) and the related consolidated statements of shareholders' investment and cash flows as of October 31, 2006 (successor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BNS Holding, Inc. and Subsidiaries as of October 31, 2007 (successor) and 2006 (successor), and the results of their operations and their cash flows for the years ended October 31, 2007 (successor) and 2006 (predecessor) and the related consolidated statements of shareholders' investment and cash flows as of October 31, 2006 (successor) in conformity with U.S. generally accepted accounting principles.

McGladrey & Pullen, LLP

Kansas City, Missouri
January 25, 2008

BNS Holding, Inc. and Subsidiaries

Consolidated Statements of Income For the years ended October 31, 2007 and 2006

	2007	2006
	Successor	Predecessor
Sales	\$ 307,149,063	\$ 309,866,788
Cost of sales	270,813,390	271,087,823
Gross profit	36,335,673	38,778,965
Selling, general and administrative expenses	20,061,362	23,716,966
Research and development expenses	122,118	129,583
Plant closure expenses (Note 12)	3,130,023	-
Income from operations	13,022,170	14,932,416
Other income (expense):		
Interest, net	(11,173,107)	(2,498,436)
Other, net	(936,296)	110,553
Income before income tax and minority interest	912,767	12,544,533
Provision for income taxes (Note 5)	(291,516)	(4,401,018)
Minority Interest	(643,796)	-
Net income (loss)	\$ (22,545)	\$ 8,143,515

The accompanying notes are an integral part of these consolidated financial statements.

BNS Holding, Inc. and Subsidiaries

Consolidated Balance Sheets October 31, 2007 and 2006

ASSETS (Notes 2 and 3)	2007	2006
	Successor	Successor
Current assets:		
Cash and cash equivalents	\$ 3,387,243	\$ 6,713,032
Receivables, less allowance for uncollectible accounts of \$44,790 in 2007 and \$23,668 in 2006	13,808,239	16,252,776
Inventories	44,602,637	40,332,490
Income taxes receivable		3,873,009
Deferred income taxes (Note 5)	2,001,000	1,484,000
Prepaid expenses and other current assets	1,479,942	2,756,677
Total current assets	<u>65,279,061</u>	<u>71,411,984</u>
Restricted cash	243,341	428,423
Property and equipment:	32,294,622	34,488,047
Less – accumulated depreciation	2,256,021	33,537
Net property and equipment	<u>30,038,601</u>	<u>34,454,510</u>
Property held for sale	2,000,000	-
Deferred income taxes (Note 5)	2,334,000	12,187,000
Deferred financing costs net of accumulated amortization of \$646,717 in 2007 and \$0 in 2006	2,591,970	3,094,415
Goodwill (Note 2)	17,318,893	28,559,408
Intangibles (Note 4)	25,118,280	-
Other assets	1,004,098	685,909
Total Assets	<u>\$145,928,244</u>	<u>\$150,821,649</u>
LIABILITIES & SHAREHOLDERS' INVESTMENT		
Current liabilities		
Current maturities of long-term debt (Note 3)	\$ 2,288,000	\$ 1,372,000
Controlled disbursements	1,755,539	4,407,160
Accounts payable	16,753,240	18,509,301
Accrued expenses and other current liabilities	12,094,885	8,443,799
Payable to former shareholder (Note 8 (h))	-	10,628,138
Total current liabilities	<u>32,891,664</u>	<u>43,360,398</u>
Long-term debt, less current maturities (Note 3)	90,467,476	84,958,573
Minority interest (Note 7)	3,893,796	2,800,000
Shareholders' investment:(Note 6)		
Class A Commons Stock: 2007 3,043,652 issued , 2006 Class A 3,038,962 issued	30,436	30,390
Paid-in capital	87,188,259	87,121,857
Treasury Stock ;2007- 74,319 shares at cost; 2006 - 8,518 shares at cost	(1,731,674)	(454,951)
Retained earnings (deficit)	(67,017,163)	(66,994,618)
Accumulated other comprehensive income	205,450	-
Total shareholders' investment	<u>18,675,308</u>	<u>19,702,678</u>
Total Liabilities & Shareholders' Investment	<u>\$145,928,244</u>	<u>\$150,821,649</u>

The accompanying notes are an integral part of these consolidated financial statements.

BNS Holding, Inc. and Subsidiaries

Consolidated Statements of Cash Flows For the years ended October 31, 2007 and 2006 and for October 31, 2006

	2007 Successor	October 31, 2006 Successor	2006 Predecessor
Cash flow from operations:			
Cash received from customers	\$ 310,017,981	\$ -	\$ 302,394,602
Cash paid to suppliers and employees	(295,806,368)	-	(289,234,951)
Interest paid, net	(10,497,110)	-	(2,620,010)
Income (taxes paid)/refunds received	3,601,924	-	(5,610,303)
Cash provided by operations	<u>7,316,427</u>	-	<u>4,929,338</u>
Cash flow from investing activities:			
Capital expenditures	(2,405,582)	-	(1,425,818)
Acquisition cost, net of cash acquired	(3,979,517)	(98,838,151)	-
Proceeds from sale of property and equipment	1,672,681	-	3,000
Expenditures for other assets	(467,565)	-	-
Cash used in investing activities	<u>(5,179,983)</u>	<u>(98,838,151)</u>	<u>(1,422,818)</u>
Cash flow from financing activities:			
Addition to long-term debt	9,159,817	-	-
Principal payment of long term debt	(2,734,914)	-	(1,554,607)
Proceeds from long-term debt	-	85,530,573	-
Remaining payment to dissenting shareholder	(10,874,710)	-	-
Changes in restricted unexpended IRB cash	185,082	-	97,072
Proceeds from sale of stock	516,448	-	-
FX exchange	205,450	-	-
Proceeds from purchase options and NQSO Benefits	-	-	1,886,825
Purchase of common stock and other capital transactions	(1,276,723)	-	(2,698,280)
Payment of dividends	-	-	(1,216,826)
Goodwill accounting adjustments	(642,683)	-	-
Cash provided by (used in) financing activities	<u>(5,462,233)</u>	<u>85,530,573</u>	<u>(3,485,816)</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,325,789)</u>	<u>(13,307,578)</u>	<u>20,704</u>
Cash and cash equivalents at beginning of year	<u>6,713,032</u>	<u>20,020,610</u>	<u>222,594</u>
Cash and cash equivalents at end of year	<u>\$ 3,387,243</u>	<u>\$ 6,713,032</u>	<u>\$ 243,298</u>
Reconciliation of net income (loss) to net cash provided by operations:			
Net income (loss)	\$ (22,545)	\$ -	\$ 8,143,515
Accelerated vesting of restricted shares	-	-	1,550,370
Depreciation and amortization	4,777,510	-	3,123,130
Minority interest	643,796	-	-
Deferred income taxes	(11,583)	-	490,214
Gain on sale of property and equipment	2,329	-	(236)
Changes in assets and liabilities:			
Decrease (Increase) in receivables	6,759,063	-	(7,413,803)
Decrease (Increase) in inventories	(5,394,081)	-	(194,764)
Inventory impairment	1,724,203	-	-
Decrease (increase) in prepaid expenses	2,366,808	-	(58,383)
Increase (decrease) in controlled disbursements	(2,651,621)	-	412,360
Increase (decrease) in accounts payable	(1,630,373)	-	713,039
Increase (decrease) in accrued expenses	752,921	-	(1,836,104)
Cash provided by operations	<u>\$ 7,316,427</u>	<u>\$ -</u>	<u>\$ 4,929,338</u>

The accompanying notes are an integral part of these consolidated financial statements

BNS Holding, Inc. and Subsidiaries

**Consolidated Statements of Shareholders' Investment
For the year ended October 31, 2007 and as of October 31, 2006**

	Common Stock	Paid-In Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Successor	Successor	Successor	Successor	Successor	Successor	Successor
October 31, 2006 Post Business Combination	\$30,390	\$87,121,857		\$(66,994,618)		\$(454,951)	\$19,702,678
Comprehensive income							
Net loss	-		\$(22,545)	(22,545)			(22,545)
Other comprehensive income:							
Foreign currency translation adjustment			205,450		205,450		205,450
Other comprehensive income			<u>\$182,905</u>				
Issuance of restricted stock, net of prior year award forfeiture	46	66,402		-	-	-	66,448
Repurchase of stock	-	-		-	-	(1,276,723)	(1,276,723)
October 31, 2007	<u>\$30,436</u>	<u>\$87,188,259</u>		<u>\$(67,017,163)</u>	<u>\$205,450</u>	<u>\$(1,731,674)</u>	<u>\$18,675,308</u>

The accompanying notes are an integral part of these consolidated financial statements

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Prior to December 14, 2004, BNS Co. was a publicly traded company (formerly known as Brown & Sharpe Manufacturing Company). Effective December 14, 2004, BNS Co. completed a reorganization (the "Holding Company Reorganization") with BNS Holding, Inc., a newly-formed Delaware corporation ("BNS or the "Company"). By virtue of the Holding Company Reorganization, BNS Co. became a direct, wholly-owned subsidiary of BNS. Except for some technical changes, the provisions of the certificate of incorporation of BNS after the effective time of the Holding Company Reorganization and BNS Co. prior to the effective time of the Holding Company Reorganization are identical. The authorized capital stock of BNS after the effective time of the Holding Company Reorganization and the designation, rights, powers and preferences of such capital stock, and its qualifications, limitations and restrictions, are identical to those of BNS Co. prior to the effective time of the Holding Company Reorganization. Stockholders of BNS Co. received securities of the same class showing the same proportional interests in BNS, having the same designations, rights, powers and preferences, and having the same qualifications, limitations and restrictions, as those held in BNS Co. BNS is the successor registrant of BNS Co. for the purpose of filings with the Securities and Exchange Commission (the "SEC").

BNS Co., now a subsidiary of the Company, was founded in 1833 and was engaged in the Metrology Business and the design, manufacture and sale of precision measurement tools and instruments and manual and computer controlled measurement machines. BNS Co. sold its Metrology Business in 2001, its interest in its development stage measurement software subsidiary, Xygent Inc., in 2002, its North Kingstown, Rhode Island property (the "Rhode Island Property") in 2003, and its U.K. subsidiary on June 16, 2004.

(a) *Merger Agreement.* On September 26, 2006, Steel Partners II, L.P ("Steel") entered into a Merger Agreement (the "Merger Agreement"), with CS Acquisition Corp., a Missouri corporation and a wholly-owned subsidiary of Steel ("CS Acquisition"), and Collins Industries Inc ("Collins"). The Merger Agreement provided that CS Acquisition would merge with and into Collins (the "Business Combination") and Collins would become an 80% owned subsidiary of Steel and the shareholders of Collins would receive \$12.50 per share in cash.

On September 27, 2006, the Company entered into the Memorandum of Understanding with Steel, CS Acquisition, American Industrial Partners ("AIP") and Collins I Holding Corp ("Holding"). The Memorandum of Understanding reflected the intent of Steel to assign its rights under the Merger Agreement to Holding, which would be the holding company for Collins after giving effect to the proposed Business Combination, and BNS would acquire an 80% interest in Holding. AIP and Collins management would own the remaining 20% of Holding. Consequently, immediately prior to the closing of the Business Combination, Steel assigned its rights and obligations pursuant to the Merger Agreement and Memorandum of Understanding to Holding and transferred all of the outstanding capital stock of CS Acquisition to Holding. Accordingly, upon the consummation of the transactions contemplated by the Merger Agreement and Memorandum of Understanding on October 31, 2006, BNS now owns 80% of Collins, through its ownership interest of Holding which owns 100% of Collins.

The fiscal 2007 amounts shown in the Consolidated Statements of Income include the results of operations of the Company and Collins, and as a result, are designated Successor amounts. The fiscal 2006 amounts shown in the Consolidated Statements of Income are all pre business combination amounts and hence are designated as Predecessor amounts. The October 31, 2007 and October 31, 2006 amounts shown in the Consolidated Balance Sheet includes the accounts of the Company and Collins as of those dates and, as a result, are designated as Successor amounts. For the Consolidated Statements of Cash Flows the amounts for the year ended October 31, 2007 (labeled as 2007) include the cash flows of the Company and Collins, and as a result, are designated Successor amounts. The middle column on the Consolidated Statements of Cash Flows labeled October 31, 2006,

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

represents the transactions resulting from the October 31, 2006 Business Combination, therefore it is designated as Successor. The Consolidated Statements of Cash Flows for the year ended October 31, 2006 (labeled as 2006) is pre Business Combination and only includes the cash flow activity of Collins and is designated as Predecessor amounts. The transactions in the Consolidated Statements of Shareholders' Investment up to the date of the Business Combination are not shown since the transition from Predecessor to Successor results in a new starting point for the Consolidated Statements of Shareholders' Investment. The balances as of October 31, 2006 on the Consolidated Statements of Shareholders' Investment represent the post Business Combination transaction balances and are designated Successor amounts. The activity on the Consolidated Statements of Shareholders' Investment for the year ended October 31, 2007 represents post Business Combination activity and are designated as Successor amounts.

(b) *General Development of Business* - Collins was founded in 1971 as a manufacturer of small school buses and ambulances. Collins's initial product was the first "Type A" school bus, designed to carry 14 to 20 passengers. Today, Collins manufactures specialty vehicles and accessories for various basic service niches of the transportation industry. Collins products include ambulances, small school buses, shuttle buses, terminal trucks, road construction equipment and industrial rental sweepers. From its inception, Collins' goal has been to become one of the largest manufacturers of specialty vehicles in the United States. Collins has grown primarily through the internal development of new products and the acquisition of complementary product lines.

In the United States, Collins believes that it is the largest single manufacturer of ambulances, the second largest manufacturer of terminal trucks, the leading manufacturer of small school buses and a leading manufacturer of sweepers used in the road construction industry. Collins sells its products under several well-known trade names, including Wheeled Coach® (ambulances), Collins Bus® and Mid Bus® (small school buses), Capacity® (terminal trucks) and Waldon®/Lay-Mor® (road construction and industrial rental sweeper equipment).

Most Collins products are built to customer specifications from a wide range of options offered by Collins. Collins sells to niche markets which demand manufacturing processes too sophisticated for small job shop assemblers, but do not require the highly automated assembly line operations of mass production vehicle manufacturers. Collins emphasizes specialty engineering and product innovation, and it has introduced new products and product improvements, which include the Moduvan® ambulance, the first ambulance of its size with advanced life-support system capability and the Dura-Ride® suspension system, the first frame-isolating suspension system for terminal trucks.

(c) *Description of Business* - Collins principally manufactures and markets specialty vehicles. It has three reportable segments: ambulances, buses and terminal trucks/road construction equipment.

Ambulances. Collins manufactures both modular and van-type ambulances at its Orlando, Florida plant. Modular ambulances are produced by attaching an all-aluminum, box-type, patient compartment to a dual rear-wheel cab chassis ("Type I") ambulance or to a dual rear-wheel, van-type, cutaway chassis ("Type III") ambulance or to a single rear-wheel cutaway chassis ("Moduvan") ambulance. A cutaway chassis consists of only the front portion of the driver's compartment, engine, drive train, frame, axle and wheels. Van ("Type II") ambulances are cargo vans modified to include a patient compartment and a raised fiberglass roof. Type II ambulances are smaller and less expensive than modular ambulances.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Collins also produces medical support vans designed to transport medical and life-support equipment. Medical support vans are modified commercial vehicles which do not have a patient compartment for advanced life support system.

Buses. Collins manufactures small school and activity buses, and certain other shuttle buses at its South Hutchinson, Kansas plant (See Subsequent Events Note 12).

School and Activity Buses. Collins manufactures small Type A school and activity buses which carry from 14 to 24 passengers. The majority of Type A school buses currently built by Collins are produced by fabricating the body and mounting it on a vendor-supplied, dual rear-wheel or single rear-wheel, cutaway chassis. Collins was the first manufacturer to produce a Type A school bus on this type of chassis, which permits greater seating capacity than a van chassis. School and activity buses are produced in compliance with federal, state and local laws regarding school and activity bus vehicles. In recent years, Collins has sold an increasing number of small activity buses used by day care, church and other non-profit organizations.

Shuttle Buses. Collins produces a limited number of shuttle buses for churches, transit authorities, hotels and resorts, retirement centers, nursing homes and similar users. These buses are built to customer specifications and are designed to transport 14 to 30 passengers over short distances.

Terminal Trucks / Road Construction Equipment. Collins produces two basic models of terminal trucks at its Longview, Texas plant, the Trailer Jockey® and the Yardmaster®. Terminal trucks are designed and built to withstand heavy-duty use by moving trailers and containers at warehouses, rail yards, rail terminals and shipping ports. Most terminal trucks manufactured by Collins are built to customer specifications. Collins manufactures the entire truck except for major drive train components which are purchased from outside suppliers.

The road construction equipment produced by Collins includes three and four wheel sweepers. These products are principally sold in both commercial and rental markets through direct sales and distributors throughout the United States (See Subsequent Events Note 12).

(d) *Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) *Principles of Consolidation* - The consolidated financial statements include the accounts of BNS and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

(f) *Cash and Cash Equivalents* - Cash includes checking accounts, funds invested in overnight and other short-term, interest-bearing accounts of three months or less. The balance as of October 31, 2006 also included an amount of \$2,437,619 on deposit with Bank of America, Collins former senior lender, to support previous letters of credit. These funds were released to Collins in 2007 once replacement letters of credit were issued by GMAC CF, Collins' current senior bank, to third parties that replaced those letters of credit issued by Bank of America. There is a significant concentration of cash due to cash balances that are in excess of federally insured amounts. Collins does not anticipate any losses due to this concentration. On the Business Combination date, BNS had \$4,032,115 in cash which is included in cash and cash equivalent amount as of October 31, 2006.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Controlled Disbursements - Collins maintains controlled disbursement accounts with its bank under an arrangement whereby all cash receipts and checks are centralized and presented to the bank daily. All deposits are applied directly against Collins' revolving credit line and all checks presented for payment in the controlled disbursement accounts are funded through daily borrowings under Collins' revolving credit facility. Accordingly controlled disbursements represent Collins' liability for outstanding checks drawn but not yet presented for payment to the bank.

Restricted Cash – Restricted cash on the consolidated balance sheet at October 31, 2006 consists of the environmental escrow account established in 2003 in connection with the sale of BNS's Rhode Island Property and the tax escrow account established in connection with the sale of its U.K. subsidiary. The U.K. escrowed funds were held in a British Pound denominated account translated at the month-end exchange rate, which represented \$182,116 at October 31, 2006. It is anticipated that the funds in the Rhode Island escrow account will not be released for more than one year. The U.K. escrowed funds were released from escrow and received by the Company on January 15, 2007.

(g) *Fair Value of Financial Instruments* – The Company's financial instruments consist primarily of cash and cash equivalents, income taxes receivable, trade receivables and payables/accrued liabilities, payable to former shareholder, and short and long term debt and capital leases. Fair value estimates have been determined by the Company, using available market information and appropriate valuation methodologies. The carrying value of cash and cash equivalents, income tax receivable, trade receivables and payables/accrued liabilities, and payable to former shareholders is considered to be representative of their fair value, due to the short term nature of these instruments. The carrying amount of Collins's short-term and long-term debt does not differ materially from fair value based on current market rates available to Collins.

(h) *Receivables* – Accounts Receivables are carried at original amounts due less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual accounts receivable and considering a customer's financial condition, credit history, and current economic conditions. Collins charges interest on certain past due accounts determined at the discretion of management. Collins continues to accrue interest on past due accounts until such time as specific arrangements are made with the customer, or the account is deemed uncollectible and written off. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are considered past due after the contractual payment date has passed. Bad debt expense for the years ended October 31, 2007 and 2006 was \$92,566 and \$16,750 respectively.

(i) *Inventories* - Inventories are stated at the lower of cost (first-in, first-out) or market. Major classes of inventories which include material, labor, and manufacturing overhead required in production of Company products consisted of the following:

	<u>2007</u>	<u>2006</u>
	Successor	Successor
Chassis	\$ 6,747,654	\$ 6,157,358
Raw materials & components	14,225,828	16,917,011
Work-in-process	9,035,727	8,623,676
Finished goods	14,593,428	8,634,445
	<u>\$44,602,637</u>	<u>\$40,332,490</u>

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

(j) *Property and Equipment* – As a result of the acquisition at October 31, 2006, all Property and Equipment were adjusted to their fair market value, thus resetting accumulated depreciation to \$0 at the date of the Business Combination. See Note 2 for further discussion on the Business Combination. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Depreciation commences when the specific asset is complete, installed and ready for normal use. The estimated useful lives of property are as follows:

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 15 years
Office furniture and fixtures	3 to 10 years

Maintenance and repairs are charged to expense as incurred. The cost of additions and betterments are capitalized. The cost and related depreciation of property retired or sold are removed from the applicable accounts and any gain or loss is taken into income. Amortization expense on leased assets is included with depreciation expense.

Property and equipment related to Collins' Bluffton, Ohio and Fairview, Oklahoma operations have been removed from production and held pending disposition and is carried at the lower of depreciated cost or fair value less estimated costs to sell.

(k) *Impairment of Long-Lived Assets* – Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(l) *Goodwill and Intangibles* – In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 was effective for fiscal years beginning after December 15, 2001. Accordingly, after October 31, 2002, goodwill is no longer amortized over future periods, but is assessed for impairment at least annually using a fair value test. Collins adopted this new standard on November 1, 2002.

The Business Combination that occurred on October 31, 2006 was accounted for under the purchase method in accordance with SFAS No. 141, "Business Combinations". In accordance with the pushdown basis of accounting, the purchase price was allocated to the net assets acquired based on their fair values at the date of the acquisition. The consideration paid, including capital contribution and debt issued and assumed, exceeded the fair value of Collins net assets acquired, with the excess amount initially recorded as Goodwill as of October 31, 2006.

Collins retained an independent advisor to evaluate the fair value of Collins' trade names, trademarks, and customer relationships. Based on this analysis, Collins reclassified \$26,519,000 of goodwill to Trade Names and Trademarks (\$13,854,000) and Customer Relationships (\$12,665,000) during the year ended October 31, 2007. Such intangible assets are amortized on a straight line basis over their estimated useful lives, which are generally 5-11 years. Certain trade names have been deemed to have an indefinite useful life. (See Note 4.) In accordance with SFAS No. 141

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

the adjustments to the original purchase price and resultant effect on the goodwill balance are summarized in Note 2.

Collins will continue to conduct the required annual tests and record any impairment losses.

(m) *Deferred Financing Costs* - The third party costs incurred in order to secure debt financing are capitalized and recorded as an asset and shown in the balance sheet as Deferred financing costs. These costs include bank commitment fees, legal costs, appraisals, title surveys, etc. The costs are amortized to income over the term of the debt.

(n) *Revenue Recognition* - Collins records vehicle sales, and passes title to the customer, at the earlier of completion of the vehicle and receipt of full payment or shipment or delivery to the customer as specified by the customer purchase order. Customer deposits for partial payment of vehicles are deferred and treated as current liabilities until the vehicle is completed and recognized as revenue.

In certain instances, Collins will recognize revenue when physical delivery has not occurred when the following criteria are met:

- Risk of ownership has passed to the customer;
- The customer has made a fixed commitment to purchase the unit;
- The customer has requested the transaction be on a collect and hold basis, has fully paid for the units in question and the customer has a substantial business purpose for ordering the unit on a collect and hold basis;
- There is a fixed schedule for delivery of the unit (normally within the next 30 days);
- Collins does not retain any specific performance obligations such that the earnings process is not complete;
- The unit is segregated from Collins' inventory and is not subject to being used to fill other orders; and
- The unit is complete and ready for shipment.

Collins recognized approximately \$7.7 million of revenue as of October 31, 2007 on a successor basis, and \$3.0 million of revenue as of October 31, 2006, on a predecessor basis under collect and hold agreements. Collins had collected the entire amount of this revenue and had no outstanding accounts receivable for these units as of October 31, 2007 and 2006.

Collins does not offer any return or price protection rights to its customers. Collins recognizes revenue in accordance with SFAS No. 48 "Revenue Recognition When Right of Return Exists," when the following conditions are met:

- Price to customer is substantially fixed at the date of sale.
- Customer has or is obligated to pay seller, and it is not contingent on product resale.
- Customer obligation is not changed in the event of theft or product damage.
- Customer acquiring the product for resale has economic substance apart from that provided by Collins.
- Company does not have significant obligations for future performance to bring about resale of the product by the customer.
- Amount of future returns can be reasonably estimated.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

(o) *Stock Option Plan* – In December 2004 FASB revised SFAS No. 123, “Accounting for Stock-Based Compensation”. The revised SFAS No. 123 (“SFAS No. 123 (R)” “Share Based Payments”, supersedes Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees”. SFAS No. 123 (R) requires all companies to measure and recognize compensation expense for all stock based payments at fair value.

Collins previously followed APB Opinion No. 25. As of October 31, 2006 Collins no longer had a stock option plan as all shares owned under the previous stock option plan were issued and paid for as part of the Business Combination described above.

Collins has not granted stock options since 1999 and all outstanding options were fully vested as of the date of the Business Combination. Accordingly, as all options were vested, no pro forma net income disclosures are required. As a result of the Transaction described above, all stock options were exercised immediately prior to the Business Combination. The option holders were paid an amount equal to the difference between the tender offer price of \$12.50 per share and their related exercise price and the Collins option plan was terminated.

On January 22, 2007, the Board of Directors of Holdings adopted the Holdings Incentive Plan (the “Plan”). The Plan is intended to retain, provide incentive and reward key employees. The Plan has reserved 3,300 shares of Holdings common stock for issuance. In January 2007, Holdings granted to employees 3,000 options to purchase shares of Holdings common stock with an exercise price of \$1,000 per share. These options vest over a 5 year period provided that Holdings meets certain financial goals and that the recipient continues as an employee of Collins. All options expire 10 years from the grant date. Due to the fact that the stock options contain performance conditions, and are triggered by a change of control, no compensation was recognized in the October 31, 2007 and 2006 fiscal years.

Holdings also issued 38,304 common stock warrants to the Company and 589 common stock warrants to certain key executives of Collins. All of the warrants are exercisable at \$0.001 per share and they have a term of 10 years. The warrants are only exercisable if certain internal rates of return targets are not achieved and upon a triggering event as defined in the warrant agreement. No compensation costs was recognized related to the warrants in the October 31, 2007 and 2006 fiscal years.

(p) *Environmental Remediation Costs* - BNS accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change.

(q) *New Accounting Pronouncements* - FASB has issued Interpretation No. 48, Accounting for Uncertainty in Income taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company’s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 provides guidance for recognizing and measuring tax positions taken or expected to be taken in a tax return that directly or indirectly affect amounts reported in the financial statements. FIN 48 also provides accounting guidance for related income tax effects of tax positions that do not meet the recognition threshold specified in this interpretation. FIN 48 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the application of FIN 48 to determine its potential impact on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. This Statement does not require any new fair

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This Statement is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. The Company is currently evaluating the impact that the adoption of this Statement will have on its financial position, results of operation and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities- Including an amendment of FASB Statement No. 115", which provides all entities, including not-for-profit organizations, with an option to report selected financial assets and liabilities at fair value. The objective of the Statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in the earnings caused by measuring related assets and liabilities differently without having to apply complex provisions of hedge accounting. Certain specified items are eligible for the irrevocable fair value measurement option as established by Statement No. 159. Statement No. 159 is effective as of the beginning of a fiscal year that begins on or before November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided the entity also elects to apply the provisions of Statement No. 157, Fair Value Measurements. The Company is currently evaluating the impact that the adoption of this Statement will have on its financial position, results of operation and cash flows.

(r) *Foreign Currency Translation* - In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*, the financial statements of the Company's foreign subsidiaries are translated into United States dollars for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of these translations resulted in net unrealized gains amounting to \$205,450 and \$0 at October 31, 2007 and 2006 respectively, which have been included in accumulated and other comprehensive income in the accompanying consolidated statements of shareholders' investment.

Note 2: Business Combination

The Business Combination that occurred on October 31, 2006 resulted in the application of purchase accounting in accordance with SFAS No. 141 for Holdings cost of acquisition to the consolidated assets and liabilities of Collins based on their fair value as of that date. The fair market value of Collins' property and equipment was determined by valuations performed by independent appraisers. The consideration paid, including capital contribution and debt issued and assumed, exceeded the fair value of Collins net assets acquired, with the excess amount initially recorded as Goodwill as of October 31, 2006. The allocation of the excess of purchase over the fair value of assets acquired was finalized in the year ended October 31, 2007.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 2. Business Combination (Continued)

The Goodwill amount of \$28,270,913 was increased by the third party acquisition costs incurred by BNS of \$288,495 resulting in total Goodwill of \$28,559,408. The Goodwill recorded on the Business Combination was based on preliminary purchase price allocations. SFAS No. 141 recognizes that the completion of the allocation process sometimes requires an extended period of time. As of October 31, 2007 the Company completed the allocation process. The change to the goodwill balance is summarized below:

Goodwill as of Business Combination	\$28,559,408
Value identified with trade names and customer relationships	(26,519,000)
Increased goodwill from Collins Canada acquisition	2,891,277
Purchase price adjustments since the Business Combination	2,724,142
Adjustment to deferred taxes in connection with the reclassification to trade names and customer relationships	<u>9,663,066</u>
Goodwill balance as of October 31, 2007	<u>\$17,318,893</u>

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 2. Business Combination (Continued)

The acquisition of all the outstanding equity securities of Collins, including related acquisition costs, totaled approximately \$112.5 million. This purchase price was financed through a combination of Capital Stock from the Company, AIP and management and debt.

Acquisition financed by

Cash contribution for Capital Stock (*)	\$ 33,000,000
GMAC CF Revolver debt	8,092,952
GMAC CF Term debt	16,000,000
ORIX Second lien debt	45,000,000
Remaining amount owed to dissenting shareholder	10,628,138
Less cash and cash equivalents	<u>(243,296)</u>
Total cost of acquisition	112,477,794

Collins net assets acquired:

Receivables	16,674,582
Inventories	40,332,490
Prepaid expenses and other current assets	2,341,502
Income taxes recoverable	<u>3,873,009</u>
Total current assets	63,221,583
Property and equipment:	34,451,117
Deferred Financing Expenses	3,094,415
Deferred Income Taxes (Short and long term)	13,671,000
Other Assets	<u>685,909</u>
Total Assets	115,124,024
Current liabilities	
Controlled disbursements	4,407,160
Accounts payable	18,509,301
Accrued expenses and other current liabilities	7,200,682
IRB Debt assumed	<u>800,000</u>
Total current liabilities	<u>30,917,143</u>
Collins net assets acquired	<u>84,206,881</u>
Goodwill	<u>\$ 28,270,913</u>

(*) Include \$500,000 stock subscription from management

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 2. Business Combination (Continued)

The cash purchase price on the consolidated statement of cash flows consists of the following:

Total cash cost	\$112,477,794
Plus Company transaction costs	288,495
Less minority shareholders' contribution	(3,300,000)
Less amount owed to Dissenting Shareholder	(10,628,138)
	<u>\$ 98,838,151</u>

Note 3. Long-term Debt and Pledged Assets

Long-term debt at October 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
	Successor	Successor
GMAC CF, borrowings under revolving credit facility (A)	\$17,469,293	\$10,530,573
GMAC CF, borrowings under term credit facility (A)	14,065,086	16,000,000
ORIX, borrowings under second lien credit facility (B)	45,000,000	45,000,000
Steel Partners II, LP (C)	16,221,097	14,000,000
Longview Industrial Corporation, Longview Texas Variable Rate Demand Revenue Bonds, 3.29%-4.07% Annual principal and sinking fund payments range from \$400,000 in 2006 to \$800,000 in 2007 (D)	-	800,000
	92,755,476	86,330,573
Less – current maturities	2,288,000	1,372,000
	\$90,467,476	\$84,958,573

On October 31, 2006 as part of the Business Combination transaction Collins' existing senior bank facility with Bank of America as well as, with one exception, all debts outstanding with the Industrial Revenue Bonds was paid in full and all security was released. New banking facilities with GMAC Commercial Finance LLC ("GMAC CF"), a second lien facility with ORIX Finance Corp., ("ORIX"), and a long-term loan from Steel as more fully discussed below, were put in place.

(A) On October 31, 2006, CS Acquisition entered into a Loan and Security Agreement, or the GMAC CF loan agreement, with GMAC CF, as a lender and as agent there under, which effective upon the Business Combination was assumed by Collins and all of its subsidiaries. The GMAC CF loan agreement provides for a \$40.0 million revolving loan facility and a \$16.0 million term loan. The revolving loan facility includes a \$10.0 million letter of credit sub facility in each case the drawings under which reduce the amount available under the revolving loan facility. Borrowings under the GMAC CF loan agreement were used by Collins to retire existing indebtedness and to pay costs and expenses in connection with the Business Combination.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 3. Long-Term Debt and Pledged Assets (Continued)

Borrowings under the GMAC CF loan agreement bear interest at annual floating rates equal, at Collins' option, to either the (1) current base rate as determined under the terms of the GMAC CF loan agreement or (2) the London interbank offered rate, or LIBOR, plus, in either case, an applicable margin. For LIBOR loans, the applicable margin will vary from 2.75% in the case of revolving loans to 3.25% in the case of term loans, and for base rate loans, the applicable margin will vary from 0.75% in the case of revolving loans to 1.25% in the case of term loans. At October 31, 2007 and 2006 the base rates, excluding the applicable margin, for the revolving and term loans were 7.75% and 8.25% respectively, and for LIBOR loans were between 4.72% and 4.82% in 2007 and 5.36% and 5.40% in 2006, depending on the term.

In order to secure the obligations under the GMAC CF loan agreement and as a condition of the lenders agreeing to enter into the GMAC CF loan agreement and make extensions of credit there under, Collins and its subsidiaries granted GMAC CF as agent a security interest, lien and mortgage, as the case may be, in all of Collins and its subsidiaries present and future assets.

Availability under the GMAC CF revolving loan facility is subject to various conditions precedent typical of asset based loans, including, the requirement that no default or event of default under the GMAC CF loan agreement shall have occurred and be continuing. Collins is subject to maintaining various financial covenants including, but not limited to, minimum fixed charge coverage ratios, minimum EBITDA, maximum ratio of senior debt to EBITDA, maximum ratio of total debt to EBITDA, and maximum annual capital expenditures. There are standard negative covenants restricting Collins ability in certain situations to pay dividends, dispose of fixed assets, etc.

Commitments under the GMAC CF loan agreement terminate on the earlier of (a) October 31, 2011 and (b) ninety (90) days prior to the termination date under the ORIX second lien loan agreement described below. Collins may prepay the term loan or terminate the revolving loan commitment provided, however, the revolving loan commitment may not be terminated until all the obligations are paid in full. There are 16 equal scheduled quarterly repayments of the term loan beginning in October 2007 in the amount of \$572,000 and a final payment of \$6,848,000 is due at maturity.

(B) On October 31, 2006, CS Acquisition also entered into a Loan and Security Agreement, or the ORIX second lien loan agreement, with ORIX, as a lender and as agent there under, which effective upon the Business Combination was assumed by Collins and all of its subsidiaries. The ORIX second lien loan agreement provides for a \$45.0 million term loan and was used by Collins to fund the Business Combination.

The ORIX term loan bears interest at annual floating rates equal, at Collins' option, to either the (1) current base rate as determined under the terms of the ORIX second lien loan agreement or (2) the London interbank offered rate, or LIBOR, plus, in either case, an applicable margin of 4.25% for base rate loans and 6.25% for LIBOR loans.

In order to secure the obligations under the ORIX second lien loan agreement and as a condition of the lenders there under agreeing to enter into the ORIX second lien loan agreement and make the term loan, Collins and its subsidiaries granted ORIX as agent a second lien security interest, lien and mortgage, as the case may be, in all of Collins and its subsidiaries present and future assets, subordinate to the rights of the lenders under the GMAC CF loan agreement.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 3. Long-Term Debt and Pledged Assets (Continued)

Commitments under the ORIX second lien loan agreement terminates October 31, 2011. Collins may prepay the ORIX term loan subject to the terms of the subordination to the GMAC CF loan agreement. The ORIX term loan principal amount is payable in full on the termination date.

(C) The loan from Steel Partners consists of a \$14.0 million Term Loan Agreement with Steel Partners II, L.P. (the "Steel Term Loan"). The Steel Term Loan incurs interest at a rate of 15% per annum and matures on August 31, 2011. Interest is payable quarterly and may be paid in kind. As collateral for the Steel Term Loan, BNS granted Steel a continuing first priority security interest in any interest or right in any kind of property or asset, whether real, personal, or mixed, owned or leased, tangible or intangible, and whether now held or hereafter acquired by BNS. In addition, Steel shall also receive a first priority pledge of all outstanding capital stock or other beneficial interest in Holding. Since October 31, 2006 \$2,221,097 of accrued interest has been added to the principal balance.

(D) Certain of the Collins' manufacturing facilities were previously financed from the proceeds of Industrial Revenue Bonds. Lease purchase agreements with the respective cities provide that Collins may purchase the manufacturing facilities at any time during the lease terms by paying the outstanding principal amount of the bonds plus a nominal amount. At October 31, 2005, the net book value of manufacturing facilities subject to these lease purchase agreements was approximately \$7.0 million. At October 31, 2005 Collins' assets included \$0.1 million in unexpended cash proceeds from Industrial Revenue Bonds issued in 2002. These Industrial Revenue Bonds were mostly paid out at the time of the Transaction on October 31, 2006. The remaining amount outstanding of \$800,000 was paid within one week of the closing of the Transaction with proceeds drawn from the GMAC CF facility.

The carrying amount of Collins's long-term obligations does not differ materially from fair value based on current market rates available to Collins.

The aggregate maturities of long-term debt for the years subsequent to October 31, 2007 are as follows:

2008	\$2,288,000
2009	2,288,000
2010	2,288,000
2011	85,891,476
Thereafter	-
Total	<u>\$92,755,476</u>

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 4. Intangible Assets

Subsequent to the Business Combination, Collins retained an independent advisor to evaluate the fair value of Collins' trade names, trademarks, and customer relationships. Based on this analysis, Collins reclassified \$26,519,000 of goodwill to Trade Names (\$13,854,000) and Customer Relationships (\$12,665,000) during the year ended October 31, 2007. In accordance with SFAS No. 141 the adjustments to the original purchase price and resultant effect on the goodwill balance are summarized in Note (2). The following is a summary of the intangible assets acquired:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Subject to Amortization		
Customer Relationships	\$12,665,000	\$(1,324,520)
Trade Name	381,000	(76,200)
Not subject to Amortization		
Trade Names	\$13,473,000	

Amortization expense recognized on all amortizable intangibles totaled \$1,400,721 for the year ended October 31, 2007. The weighted average amortization period is five years for the Trade Name and ten years for the Customer Relationships.

Estimated aggregate amortization expense for each of the next 5 years is as follows:

Year ending October 31,

2008	\$1,400,721
2009	\$1,400,721
2010	\$1,400,721
2011	\$1,400,721
2012	\$1,324,521

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 5. Income Taxes

The provision for income taxes consists of the following:

	2007	2006
	Successor	Successor
Current	\$303,099	\$3,910,804
Deferred	(11,583)	490,214
Total	<u>\$291,516</u>	<u>\$4,401,018</u>

Collins accounts for income taxes in accordance with the asset and liability method. Deferred income taxes are determined based upon the difference between the book and tax basis of Collins's assets and liabilities. Deferred taxes are provided at the enacted tax rates expected to be in effect when the differences reverse. The income tax effect of temporary differences comprising the deferred tax assets are included in other current assets and liabilities on the accompanying consolidated balance sheet and result from:

	2007	2006
	Successor	Successor
Deferred tax assets:		
BNS net operating loss carry forward	\$ 16,345,000	\$ 18,498,000
Amortization	-	713,000
Accrued warranty	610,000	488,000
Self-insurance reserves	284,000	636,000
Inventory reserves	731,000	356,000
Accrued vacation	267,000	223,000
Accrued severance liability	9,000	179,000
Deferred compensation	-	93,000
Allowance for doubtful accounts	17,000	9,000
AMT credit	95,000	-
Other	83,000	125,000
Deferred tax assets	<u>18,441,000</u>	<u>21,320,000</u>
Deferred tax liabilities:		
Amortization	(8,934,000)	-
Property and equipment	(5,172,000)	(7,024,000)
Prepaid health insurance	-	(625,000)
Deferred tax liabilities	<u>(14,106,000)</u>	<u>(7,649,000)</u>
Net deferred tax assets	<u>\$ 4,335,000</u>	<u>\$13,671,000</u>

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 5. Income Taxes

The components giving rise to the net deferred tax assets described above have been included in the accompanying consolidated balance sheets as of October 31, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
	Successor	Successor
Current assets	\$2,001,000	\$1,484,000
Long term assets	2,334,000	12,187,000
Total	<u>\$4,335,000</u>	<u>\$13,671,000</u>

The amount of deferred income tax asset booked as of October 31, 2006 resulted mainly from the fair value accounting of the net operating tax losses of Collins' ultimate parent, BNS. These net operating tax losses were tax effected at the tax rates expected to be in effect when the differences reverse. No valuation allowance against deferred tax assets was provided at October 31, 2007 and 2006, as management considers it more likely than not that the recorded tax assets will be realized.

Loss carry forwards for tax purposes as of October 31, 2007 have the following dates:

<u>Expiration Dates</u>	<u>Amount</u>
2020	\$6,940,361
2021	34,822,173
2022	2,383,838
2023	-
2024	1,664,295
2025	1,591,097
2026	670,199
Total	<u>\$48,071,963</u>

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 5. Income Taxes (Continued)

A reconciliation between the statutory federal income tax rate (34%) and the effective rate of income tax expense for each of the two years ended October 31, 2007 and 2006 follows:

	2007	2006
	Successor	Predecessor
Statutory federal income tax rate	34%	34%
Increase (decrease) in taxes		
Resulting from:		
State tax, net of federal benefit	4	4
Research & development credits	(16)	-
Non-deductible expenses & tax exempt income	10	-
Other	-	(3)
Effective tax rate	32%	35%

Note 6. Capital Stock

The Capital Stock disclosure as of October 31, 2006 and 2007 represents the post Business Combination transaction balances and are designated as Successor amounts.

BNS has two types of Share Capital:

Class A common shares, par value, \$0.01/share; Authorized - 5,000,000 shares

Preferred shares, par value, \$1.00/share; Authorized - 1,000,000; Issued - 0

Since September 14, 2007, BNS's Class A Common Stock has traded on the OTC Bulletin Board under the symbol "BNSSA.PK"

On August 10, 2007, the Company filed amendments to its Certificate of Incorporation and completed a 1-for-200 reverse/forward stock split in which, shareholders of record owning fewer than 200 shares of the Company's Class A Common stock had their shares converted into the right to receive \$13.62 for each share of Class A Common Stock held prior to the reverse stock split. The Company paid \$800,870 to repurchase 58,801 shares of its Class A Common Stock. Such shares will be held as treasury shares.

On July 31, 2007, the Company paid \$95,340 to purchase 7,000 shares at \$13.62 per share of its Class A Common Stock. Such shares will be held as treasury shares.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 6. Capital Stock (Continued)

On August 23, 2007, the Company filed a Form 15 with the Securities and Exchange Commission to deregister its shares of Class A Common Stock and Preferred Stock Purchase Rights and suspend its reporting obligations under the Securities Exchange Act of 1934.

In connection with the August 10, 2007 and July 31, 2007 stock repurchases the Company incurred \$380,513 of direct costs which are included in the cost of treasury shares.

Stock-Based Compensation Plans - In January 2007, March 2006, and January 2005, the Company granted restricted stock awards covering 5,500, 5,000, and 5,000 shares of common stock, respectively, to directors of the Company as a means of retaining and paying directors' retainer fees, thereby rewarding them for long-term performance and to increase their ownership in the Company. Shares awarded under the plan entitle the shareowners to all rights of common stock ownership except the shares may not be sold, transferred, pledged, assigned, or otherwise encumbered or disposed of during the restriction period. The shares granted in January 2005 vested on January 24, 2006. The shares granted in March 2006 vested on March 14, 2007, except for 1,000 shares which were forfeited when one director resigned on October 31, 2006. The shares granted in January 2007 will vest on January 23, 2008. The shares were recorded at the fair market value on the date of issuance as deferred compensation and the related amount is being amortized to operations over the vesting period.

Note 7. Minority Interest

As described in Note 1, a Business Combination occurred on October 31, 2006. As a result, Collins is now owned 100% by Holdings, which, in turn is owned 80% by the Company. The consolidated balance sheet represented in these consolidated financial statements is the consolidated balance sheet of BNS. As a result, minority interest was set up for the 20% of the \$33.0 million investment in Holdings and Collins that the Company does not own. AIP paid \$2.8 million for their interest in Holdings and BNS paid \$29.7 million for their 80% interest. Management contributed their \$0.5 million investment in late January 2007.

Note 8. Commitments and Contingencies

(a) *Letters of Credit* – The Company has approximately \$1.1 million in letters of credit outstanding as of October 31, 2007.

(b) *Repurchase Agreements* - It is customary practice for companies in the specialty vehicle industry to enter into repurchase agreements with financing institutions to provide floor plan financing for dealers. In the event of a dealer default, these agreements generally require the repurchase of products at the original invoice price net of certain adjustments. The risk of loss under the agreements is limited to the risk that market prices for these products may decline between the time of delivery to the dealer and time of repurchase by Collins. The risk is spread over numerous dealers and Collins has not incurred significant losses under these agreements. In the opinion of management, any future losses under these agreements will not have a material adverse effect on Collins's financial position or results of operations. Collins's repurchase obligation under these agreements is limited to vehicles which are in new condition and as to which the dealer still holds title. Collins's contingent obligation under such agreements was \$5.0 million and \$4.1 million at October 31, 2007 and 2006, respectively.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

(c) *Operating Leases* - Collins has operating leases principally for certain manufacturing facilities, vehicles and equipment. Operating lease expense was \$320,037 and \$466,831 for the years ended October 31, 2007 and fiscal 2006, respectively. It is expected that in the ordinary course of business these leases will be renewed or replaced as they expire.

The following schedule details the Company's operating lease commitments, for the years subsequent to October 31, 2007:

2008	\$266,044
2009	88,300
2010	16,766
2011 and beyond	2,676
	<hr/>
	\$373,786
	<hr/>

(d) *Litigation* - The Company is a defendant in a variety of legal claims that arise in the normal course of business. Since 1994, the Company's BNS Co. subsidiary has been served notice that it has been named as a defendant in a total of 757 known asbestos-related toxic-tort claims (as of October 31, 2007). In many cases these claims involve more than 100 other defendants. Fifty-four of those claims were filed prior to December 31, 2001. Additional claims were filed in subsequent years as follows: In 2002, 98 claims; in 2003, 194 claims; in 2004 178 claims; in 2005, 76 claims, and in 2006, 64 claims. As of October 31, 2007, there were 88 additional claims filed.

In 2001, one claim was dismissed and one claim was granted Summary Judgment and closed. In 2002, 42 claims were settled for an aggregate of approximately \$30,000 exclusive of attorney's fees. In 2003, three claims were granted Summary Judgment, and one claim was dismissed and closed. In 2004, eight claims were granted Summary Judgment and were closed, and 145 claims were dismissed, and seven claims were settled for \$500 each. In 2005, 6 claims were granted Summary Judgment and were closed, 107 claims were dismissed and 6 were settled for \$500 each. In October 2005, the Company and its insurers settled two claims for an aggregate of \$150,000. In 2006, 11 claims were granted Summary Judgment and were closed, 122 claims were dismissed, and 10 claims were settled for an aggregate of \$8,000. As of October 31, 2007 an additional 5 claims were granted summary judgment and were closed, 40 claims were dismissed, and 12 claims were settled for an aggregate of \$6,500. There were 192 known claims open and active as of October 31, 2007. However, under certain circumstances, some of the settled claims may be reopened. Also, there may be a significant delay in receipt of notification by the Company of the entry of a dismissal or settlement of a claim or the filing of a new claim.

The Company believes it has significant defenses to any liability for toxic-tort claims on the merits. It should be noted that, to date, none of these toxic-tort claims have gone to trial and, therefore, there can be no assurance that these defenses will prevail. However, there can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date of existing claims.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

In the late 1980's, insurance companies began issuing policies with specific exclusions for claims relating to asbestos. BNS Co. has identified continuous insurance coverage (on an "occurrence" basis) from 1974 through 1988 that does not include such exclusions, with estimated aggregate coverage limits of approximately \$158 million for these policy years. The Company estimates that the aggregate remaining self insured retention (deductible) relating to these policy years is approximately \$2.7 million. Additionally, the Company has identified secondary evidence (such as past billings) indicating that BNS Co. has additional insurance coverage from 1970 through 1973 that does not include such exclusions. There can be no assurance that the insurers involved will recognize this secondary information as evidence that the policies were in place. Although there are no indications that the aforementioned insurance coverage has eroded from past claims, there is no assurance of this due to incomplete Company insurance records. Policies issued for BNS Co. beginning in 1989 contained exclusions relating to asbestos. BNS Co.'s insurance records for the periods prior to 1970 are incomplete and do not indicate what insurance coverage is available. The limits noted above relate to a number of insurance carriers. In general, these carriers have acknowledged the evidence of coverage but have declined to verify the limits of coverage until such time as the limits apply. There can be no assurance that, even if BNS Co. has insurance coverage for asbestos and other product liability claims under its policies, it will be able to recover from its insurers in the event that such insurance companies are no longer solvent, have ceased operations, or choose to dispute the coverage or limits of the policies identified by the Company.

BNS Co. annually receives retroactive billings or credits from its insurance carriers for any increase or decrease in claims reserves as claims are filed, settled or dismissed, or as estimates of the ultimate settlement and defense costs for the then-existing claims are revised. In addition, the Company has recorded a liability of \$0.564 million on the consolidated balance sheet relating to the open and active claims against BNS Co. as of October 31, 2007. This liability represents an estimate of the likely costs to defend against or settle these claims by BNS Co. beyond the amounts reserved by the insurance carriers and previously funded, through the retroactive billings, by BNS Co. However, there can be no assurance that the Company will not need to take additional charges in connection with the defense, settlement or judgment of these existing claims. There can be no assurance that the costs of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date relating to existing claims.

To date, no toxic tort or asbestos claims have been filed against BNS Holding, which came into existence in December 2004 and has never conducted any active business operations. There can be no assurance, however, that monies received by BNS Holding for its wholly-owned subsidiary by way of reimbursement for "public company reporting costs" that were formerly the responsibility of BNS Co., or by way of dividends or otherwise, might not under some circumstances be subject to claims against BNS Co.

It has become apparent that the possibility that additional toxic-tort claims will be asserted in the future, and the impact of this possibility on the valuation of the Company, has had and will continue to have, at least for the short term, some adverse effects on the Company's ability to determine future distributions to shareholders or other change-in-control transaction with a third party.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

At October 31, 2007 Collins has litigation pending which arose in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of the individual matters is not presently determinable. It is management's opinion that this litigation will not result in liabilities that would have a material adverse effect on Collins's financial position or results of operations.

(e) *Self-insurance Reserves* - Collins has historically self-insured for workers' compensation, health insurance, general liability and product liability claims, subject to specific retention and reinsurance levels.

Effective July 1, 2005, Collins purchased guaranteed cost workers' compensation insurance for the states in which it had previously self-insured. Collins continues to be self-insured in certain states for workers' compensation claims incurred prior to July 1, 2005.

Effective July 1, 2007 Collins' health insurance is fully insured. All prior period incurred claims will run out under the policies in effect at the time of the incurrence of the claim.

(f) *Chassis Contingent Liabilities* - Collins obtains certain vehicle chassis principally from two automotive manufacturers under agreements that do not transfer the vehicle's certificate of origin to Collins and, accordingly, Collins accounts for the chassis as consigned inventory. Chassis are typically converted and delivered to customers within 90 days of receipt from the chassis supplier. Collins's contingent liability under such agreements was approximately \$16.6 million and \$15.7 million as of October 31, 2007 and 2006, respectively.

(g) *Indemnification for Former Directors* - As a condition of the Merger Agreement, Collins purchased \$1 million run off insurance, expiring October 31, 2012, indemnifying the former Directors of Collins for action taken prior to the Business Combination.

(h) *Payable to Former Shareholder* - At October 31, 2006 the Business Combination occurred and, as a result, all of Collins's issued and outstanding shares, with one exception described below, were redeemed at the established fair market price of \$12.50/share. One shareholder, the "Dissenting Shareholder" holding 850,251 shares objected to the Business Combination as described in the proxy statement sent by Collins to all its shareholders dated October 2, 2006. Pursuant to General Business and Corporate Law of Missouri, the Dissenting Shareholder made a demand to Collins to receive what they believe to be fair market value for their shares, being \$14.25/share as opposed to the \$12.50/share paid to the other shareholders. Collins contested this claim. An amount of \$10,628,138 was recorded as an amount due to the Dissenting Shareholder on the Company's balance sheet as of October 31, 2006. In April 2007, in settlement of all claims Collins agreed to pay the Dissenting Shareholder \$12.79 for each share of Collins common stock owned by the Dissenting Shareholder. The total amount paid to the Dissenting Shareholder was \$10,874,710 which resulted in an increase in goodwill of \$246,572.

(i) *Warranties* - Collins's products generally carry explicit product warranties that extend from several months to more than a year, based on terms that are generally accepted in the marketplace. Certain components included in Collins's end products (such as chassis, engines, axles, transmissions, tires, etc.) may include warranties from original equipment manufacturers ("OEM"). These OEM warranties are generally passed on to the end customer of Collins's products and the customer generally deals directly with the applicable component manufacturer. Collins records provisions for estimated warranty and other related costs at the time of sale based on historical warranty loss experience and periodically adjusts these provisions to reflect actual experience. Certain warranty and other related

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 8. Commitments and Contingencies (Continued)

claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue may arise which is beyond the scope of Collins's historical experience. Collins provides for any such warranty issues as they become known and estimable. It is reasonably possible that from time to time additional warranty and other related claims could arise from disputes or other matters beyond the scope of Collins's historical experience. The following table provides the changes for fiscal years 2007 and 2006 in Collins's product warranties:

	2007	2006
	Successor	Successor
Accrued warranties at the beginning of the year	\$ 1,220,964	\$ 1,644,177
Provisions for warranty charged against income	1,768,758	1,555,546
Assumed warranty at Collins Canada	2,622,000	-
Payments and adjustments of warranties	(1,511,099)	(1,978,759)
Accrued warranties at the end of the year	<u>\$ 4,100,623</u>	<u>\$ 1,220,964</u>

(j) *Environmental Remediation Reserve* - BNS Co. has been notified by the Rhode Island Department of Environmental Management (RIDEM) that it is a potentially responsible party (PRP) with respect to the Cranston Sanitary Landfill site in Cranston, Rhode Island, a disposal site previously used by the Company in its previous manufacturing businesses. The Company and 21 other PRP's have funded a site remediation investigation and feasibility study that has now been completed. The results of that study have been forwarded to the RIDEM. The study indicates a range of viable remedial approaches, but agreement on the final remediation approach has not yet been reached with the RIDEM. However, the study indicated that the net present value of the most likely total estimated remediation costs for the site are \$6.591 million. The PRP group has preliminarily agreed to an allocation that sets BNS Co.'s share of the cost of remediation for the site at 1.498 percent. If certain of the PRPs are ultimately not able to fund their allocated shares or if additional PRP's are identified and join the group, BNS Co.'s participation share could change.

BNS Co. has accrued \$100,000 as its best estimate of its obligation with respect to the site. This amount is included in Accrued expenses and other current liabilities on the Company's consolidated balance sheet at October 31, 2007 and 2006 respectively. It is reasonably possible that BNS Co.'s recorded estimate of its obligation may change in the future.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 9. Other

On September 27, 2007 Collins Canada Inc., a newly formed subsidiary of Collins, acquired from Les Entreprises Michel Inc. ("Corbeil") a building, manufacturing equipment, inventories, and intellectual property. Collins Canada purchased the assets for \$3.9 million and the assumption of \$2.7 million of assumed liabilities. Corbeil was a manufacturer of Type A school buses serving the Canadian and the US markets. In connection with this acquisition Collins recorded an additional goodwill amount of \$2.9 million. The results of operations from the acquisition date forward are included in the Consolidated Statements of Income.

Note 10. Related Party Transactions

AIP entered into a management service agreement to provide general management, financial and other corporate advisory services to Collins and its subsidiaries. These management services shall be performed by the officers, employees or agents of AIP as it may determine in its discretion from time to time. Collins shall pay to AIP an annual advisory fee of \$1 million, payable quarterly in arrears, to be reduced to \$500,000 per annum commencing with the quarter which begins November 1, 2010 and the management service agreement terminates on January 31, 2016. The expense for the advisory fee is included in other income (expense) on the Consolidated Statements of Income and totaled \$1 million and \$0 for the years ended October 31, 2007 and 2006, respectively. Collins shall promptly, when requested, reimburse AIP for all reasonable out-of-pocket expenses incurred in the ordinary course by AIP in connection with AIP's obligations hereunder. Notwithstanding anything to the contrary contained herein, Collins shall accrue but not pay the Management Fee if (i) any such payment would violate, breach or otherwise constitute a default (or any event which might with the lapse of time or the giving of notice or both, constitute a default) under any of the financing agreements of Collins, or (ii) AIP instructs Collins not to pay all or any portion of the Management Fee during any fiscal year. During fiscal year 2007 AIP received \$248,000 in out of pocket expense reimbursement.

On closing the Business Combination described in Note 1 above, AIP received a \$1.0 million deal fee and reimbursement of its out of pocket due diligence expenses totaling \$137,755.

Steel received a \$1 million bridging deal fee as it backstopped the financing for the Business Combination described in Note 1 above as well as reimbursement of its out of pocket expenses totaling \$51,727.

Effective July 1, 2007, the Company contracted with SP Corporate Services LLC, an affiliate of Steel, to provide financial management and administrative services, including the services of a chief financial officer and corporate secretary. The Company incurred \$108,584 for such services through October 31, 2007, of which \$25,583 was included in accounts payable at October 31, 2007.

Note 11. Subsequent Events

In August 2007 Collins entered into an agreement to sell its manufacturing facility and inventory located at Fairview, Oklahoma, which manufactured specialty forklifts and loaders for \$800,000. As a result of this agreement the company reclassified the subject property to assets held for sale and recorded an impairment loss of \$1.3 million. The closing on this agreement occurred on November 14, 2007. The estimated book value of the property to be sold at October 31, 2007 is approximately \$350,000.

BNS Holding, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

Note 11. Subsequent Events (Continued)

In September 2007 Collins announced the closing of its Mid Bus Bluffton, Ohio plant. Collins will move the production to its Hutchinson, Kansas Collins Bus plant. The closure was completed by November 30, 2007. Certain equipment located at Bluffton will be moved to Hutchinson after which Collins intends to sell the remaining equipment, land and building. The estimated book value of the property to be sold at October 31, 2007 is approximately \$1.7 million.

Note 12. Plant Closure Expenses

As part of Collins' business improvement strategy, Collins completed the consolidation of several of its manufacturing facilities. Specifically, Collins closed its Hutchinson, Kansas ambulance facility and consolidated its production in Orlando, Florida; it closed its Bluffton, Ohio bus facility and consolidated its production in Hutchinson, Kansas and it sold its Fairview, Oklahoma manufacturing facility and ceased the manufacture of specialty forklifts and loaders. In connection with this restructuring Collins incurred plant closure expenses, including disposal of surplus inventories, severance and relocation expenses totaling \$3.1 million pre-tax.