

BNS Holding, Inc. & Subsidiaries

First Quarter 2008 Financial Statements

Contents

Financial Statements

Consolidated Condensed Balance Sheets	2
Consolidated Condensed Statements of Income	3
Consolidated Condensed Statements of Cash Flow	4
Consolidated Condensed Statements of Shareholders' Investment	5

Notes to Financial Statements	6
-------------------------------	---

BNS Holding, Inc. and Subsidiaries		
Consolidated Condensed Balance Sheets		
January 31, 2008 and October 31, 2007		
	(Unaudited)	(Audited)
	January 31,	October 31,
	2008	2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,197,724	\$ 3,387,243
Receivables, less allowance for uncollectible accounts of \$111,286 in 2008 and \$44,790 in 2007	14,285,200	13,808,239
Inventories	38,212,533	44,602,637
Deferred income taxes	1,793,000	2,001,000
Prepaid expenses and other current assets	1,657,516	1,479,942
Total current assets	59,145,973	65,279,061
Restricted cash	243,341	243,341
Property, plant and equipment, net	31,124,771	30,038,601
Assets held for sale	1,650,000	2,000,000
Deferred income taxes	2,450,000	2,334,000
Deferred financing costs net of accumulated amortization of \$812,382 in 2008 and \$646,717 in 2007	2,426,306	2,591,970
Goodwill (Note 2)	17,318,893	17,318,893
Intangibles	24,768,101	25,118,280
Other assets	1,396,416	1,004,098
total assets	\$ 140,523,801	\$ 145,928,244
Liabilities and Shareholders' Investment		
Current liabilities:		
Current maturities of long-term debt (Note 3)	\$ 2,288,000	\$ 2,288,000
Controlled disbursements	3,387,486	1,755,539
Accounts payable	12,697,643	16,753,240
Accrued expenses and other current liabilities	10,988,215	12,094,885
Total current liabilities	29,361,344	32,891,664
Long-term debt, less current maturities (Note 3)	88,632,502	90,467,476
Minority interest	4,082,510	3,893,796
Shareholders' investment		
Class A Common Stock: (January 31, 2008 - 3,049,652 issued, October 31, 2007 - 3,043,652 issued)	30,497	30,436
Paid-in capital	87,206,689	87,188,259
Treasury stock; 2008 and 2007, 74,319 shares at cost	(1,731,674)	(1,731,674)
Retained earnings (deficit)	(67,006,313)	(67,017,163)
Accumulated other comprehensive income (loss)	(51,754)	205,450
Total shareholders' investment	18,447,445	18,675,308
total liabilities and shareholders' investment	\$ 140,523,801	\$ 145,928,244
See Notes to Consolidated Condensed Financial Statements.		

BNS Holding, Inc. and Subsidiaries		
Consolidated Condensed Statements of Income		
For the Three Months Ended January 31, 2008 and January 31, 2007		
	Three Months Ended January 31,	
	2008	2007
Sales	\$ 77,482,053	\$ 58,847,197
Cost of sales	68,103,981	52,181,502
Gross profit	9,378,072	6,665,695
Selling, general and administrative expenses	5,812,569	5,092,770
Income from operations	3,565,503	1,572,925
Other income (expense):		
Interest expense	(2,856,629)	(2,707,355)
Other, net	(340,466)	(198,612)
Income (loss) before income tax (expense) benefit and minority interest	368,408	(1,333,355)
(Provision) benefit for income taxes	(168,844)	470,958
Income (loss) before minority interest	199,564	(862,084)
Minority interest	(188,714)	30,530
Net income (loss)	\$ 10,850	\$ (831,554)
Earnings (loss) per share, basic and diluted	\$ -	\$ (0.27)
Weighted average common and common equivalent shares outstanding basic and diluted	2,972,333	3,030,922
See Notes to Consolidated Condensed Financial Statements.		

BNS Holding, Inc. and Subsidiaries		
Consolidated Condensed Statements of Cash Flow		
For the Three Months Ended January 31, 2008 and January 31, 2007		
	Three Months Ended January 31,	
	2008	2007
Cash Flows from Operating Activities:		
Net income (loss)	\$ 10,850	\$ (831,554)
Depreciation and amortization	1,171,680	845,610
Deferred income tax expense (benefit)	92,000	(490,000)
Minority interest	188,714	(30,530)
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivables	(1,026,861)	7,416,528
Decrease (increase) in inventories	6,390,104	(6,680,540)
Decrease in prepaid expenses and other current assets	372,326	1,505,984
Increase (decrease) in controlled disbursements	1,631,947	(798,880)
Increase (decrease) in accounts payable	(4,055,597)	141,130
Increase (decrease) in accrued expenses and other current liabilities	(1,106,670)	(443,582)
Cash provided by operating activities	3,668,493	634,166
Cash Flows from Investing Activities:		
Capital expenditures	(1,671,844)	(162,919)
Proceeds from asset sales	350,000	401,214
Expenditures for other assets	(426,481)	-
Cash (used in) provided by investing activities	(1,748,325)	238,295
Cash Flows from Financing Activities:		
Borrowing (repayment) of long-term debt and capitalized leases	(1,834,974)	(2,742,788)
Changes in restricted cash	-	182,116
Foreign currency exchange loss	(257,204)	-
Purchase of common stock and other capital transactions	18,491	-
Cash (used in) financing activities	(2,073,687)	(2,560,672)
Net (decrease) in cash and cash equivalents	(189,519)	(1,688,211)
Cash at beginning of period	3,387,243	6,713,032
Cash at end of period	\$ 3,197,724	\$ 5,024,821
Supplemental cash flow disclosures:		
Interest paid	\$ (2,652,158)	\$ (2,228,849)
Income taxes paid	\$ (206,727)	\$ (76,085)
See Notes to Consolidated Condensed Financial Statements.		

BNS Holding, Inc. and Subsidiaries					
Consolidated Condensed Statements of Shareholders' Investment					
For the Three Months Ended January 31, 2008 and as of October 31, 2007					
					A
	Common	Paid-in	Comprehensive	Retained	Co
	Stock	Capital	Income	Earnings	Inc
				(Deficit)	
October 31, 2007	\$ 30,436	\$ 87,188,259	\$ -	\$ (67,017,163)	\$
Comprehensive income (loss)					
Net income	-	-	10,850	10,850	
Other comprehensive income:					
Foreign currency translation					
adjustment	-	-	(257,204)	-	
Other comprehensive income (loss)	-	-	\$ (246,354)	-	
Issuance of restricted stock	61	18,430		-	
January 31, 2008 (unaudited)	\$ 30,497	\$ 87,206,689		\$ (67,006,313)	\$
See Notes to Consolidated Condensed Financial Statements.					

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 1. Basis of Presentation

The information included in the accompanying interim consolidated condensed financial statements of the Company is unaudited but, in the opinion of management, includes all adjustments (consisting only of normal recurring adjustments and accruals) which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for these periods. Results for the interim periods are not necessarily indicative of results expected for the entire year. The consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of the Company for the year ended October 31, 2007.

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.

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 subsidiary in the United Kingdom (the "U.K. Subsidiary") on June 16, 2004.

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 the Company 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.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 1. Basis of Presentation (Continued)

Description of business: Collins was founded in 1971 as a manufacturer of small school buses and ambulances. Collins' initial product was the first "Type A" school bus, designed to carry 14 to 20 passengers. Collins is a manufacturer of specialty vehicles and has three business units: ambulances, buses, and terminal trucks/road construction equipment. The ambulance business manufactures modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus business manufactures small school, activity and shuttle buses for sale principally to schools, day care centers, churches, nursing homes, retirement centers and other non profit organizations. The terminal truck/road construction equipment business produces off-road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports. This business also manufactures a line of road construction equipment. Each of Collins' business units is responsible for its own marketing activities and maintains independent relationships with dealers and distributors.

Principles of consolidation: The consolidated condensed financial statements include the accounts of BNS and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Industry segments: Collins operates in three industry segments; the ambulance, bus, and terminal truck/road construction equipment segments. Manufacturing activities are carried on solely in the United States, however Collins does market its products in other countries. Revenues derived from export sales were less than 10% of consolidated sales for the three months ended January 31, 2008 and 2007.

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:

	January 31, 2008	October 31, 2007
Chassis	\$ 6,182,435	\$ 6,747,654
Raw materials and components	13,873,197	14,225,828
Work-in-process	8,139,246	9,035,727
Finished goods	10,017,655	14,593,428
	\$ 38,212,533	\$ 44,602,637

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 1. Basis of Presentation (Continued)

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 \$6.5 million and \$4.3 million of revenue, as of January 31, 2008 and January 31, 2007, respectively 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 January 31, 2008 and January 31, 2007.

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.

New accounting pronouncements: The Financial Accounting Standards Board (FASB) has issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. 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 was originally effective for fiscal years beginning after December 15, 2006, however, on February 1, 2008, FASB issued Staff Position No. Fin 48-2, which deferred the effective date to annual financial statements for fiscal years beginning after December 15, 2007 for nonpublic companies. The Company is currently evaluating the application of FIN 48 to determine its potential impact on its consolidated financial statements.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note. 1 Basis of Presentation (Continued)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines the fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure 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 value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. Provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007 and other provisions have been deferred until fiscal years beginning after November 15, 2008. 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 of 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 in 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.

In December 2007, FASB issued Statement of Financial Accounting Standards No. 141R *Business Combinations*, and Statement of Financial Accounting Standards No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51*. These new standards significantly change the accounting for and reporting of business combination transactions and noncontrolling interests (previously referred to as minority interests) in consolidated financial statements. Both standards are effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited. The Company is currently evaluating the provisions of SFAS 141(R) and SFAS 160.

Earnings per common share: Earnings per common share has been computed on the basis of the weighted-average number of common shares outstanding during each period presented.

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 subsidiary 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 accumulated unrealized gain (loss) amounting to (\$51,754) and \$205,450 at January 31, 2008 and October 31, 2007 respectively.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 2. Business Combination

The Business Combination that occurred on October 31, 2006 resulted in the application of purchase accounting in accordance with Statements of Financial Accounting Standard No. 141, Business Combinations (SFAS No. 141), accordingly the consolidated assets and liabilities of Collins were revalued based upon 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.

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 at October 31, 2006. 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	9,663,066
Goodwill balance as of January 31, 2008 and October 31, 2007	<u>\$ 17,318,893</u>

Note 3. Long-Term Debt

Long-term debt at January 31, 2008 and October 31, 2007 consists of the following:

	January 31, 2008	October 31, 2007
GMAC CF, borrowings under revolving credit facility (A)	\$ 15,943,114	\$ 17,469,293
GMAC CF, borrowings under term credit facility (A)	13,143,000	14,065,086
ORIX, borrowings under second lien credit facility (B)	45,000,000	45,000,000
Steel Partner II, LP ^(B)	16,834,388	16,221,097
	90,920,502	92,755,476
Less current maturities	2,288,000	2,288,000
	<u>\$ 88,632,502</u>	<u>\$ 90,467,476</u>

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 3. Long-Term Debt (Continued)

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 were 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.

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 January 31, 2008 and October 31, 2007, the base rates, excluding the applicable margin, for the revolving and term loans were 6.0% and 7.75%, respectively, and for LIBOR loans were between 3.27% to 4.74% and 4.72% to 4.82%, respectively, 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 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 were 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.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 3. Long-Term Debt (Continued)

(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.

Commitments under the ORIX second lien loan agreement terminate 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") and four term notes totaling \$2,834,388 representing accumulated interest owed through January 31, 2008. The Steel Term Loan notes accrue interest at a rate of 15% per annum and mature 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.

Note 4. Net Operating Loss Carry-Forwards

As of January 31, 2008 the Company had approximately \$47 million of U.S. Federal net operating loss carry-forwards that expire between 2020 and 2027. Although future earnings cannot be predicted with certainty, management currently believes that realization of the net deferred tax asset is more likely than not.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 4. Net Operating Loss Carry-Forwards (Continued)

A reconciliation between the statutory federal income tax rate (34%) and the effective rate of income tax expense for each of the three month periods ended January 31, 2008 and 2007 respectively follows:

	January 31, 2008	January 31, 2007
Statutory federal income tax rate	34%	34%
Increase (decrease) in taxes		
Resulting from:		
State tax, net of federal benefit	4	6
Permanent difference	7	-
Other	1	(3)
Effective tax rate	46%	37%

Note 5. Capital Stock

Class A common shares, par value, \$0.01/share; Authorized – 5,000,000 shares; Issued - 3,049,652 shares on January 31, 2008 and 3,043,652 shares on October 31, 2007.

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 more 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 are 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.

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.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 5. Capital Stock (Continued)

Stock-based compensation plans: In January 2008, January 2007, and March 2006, the Company granted restricted stock awards covering 6,000, 5,500, 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 shareholders 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 restricted period. 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 vested on January 23, 2008. The shares granted in January 29, 2008 will vest on January 30, 2009. The shares were recorded at the fair value on the date of issuance as deferred compensation and the related amount is being amortized to operations over the vesting period.

Note 6. 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 condensed balance sheet represented in these consolidated condensed financial statements is the consolidated condensed 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 7. Commitments and Contingencies

Letters of credit: The Company has \$1,062,282 in letters of credit outstanding as of January 31, 2008 and October 31, 2007.

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 \$4.9 million and \$5.0 million at January 31, 2008 and October 31, 2007, respectively.

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 7. Commitments and Contingencies (Continued)

Operating leases: Collins has operating leases principally for certain manufacturing facilities, vehicles and equipment. Operating lease expense was \$77,108 and \$67,762 for the three months ended January 31, 2008 and 2007, 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 January 31, 2008:

2009	\$ 235,902
2010	49,839
2011	11,687
2012 and beyond	2,294
	<u>\$ 299,722</u>

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 773 known asbestos-related toxic-tort claims (as of January 31, 2008). In many cases these claims involve more than 100 other defendants. Fifty-four of these 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, in 2006, 64 claims and in 2007, 109 claims were filed.

In 2001, one claim was dismissed and one claim was granted summary judgment and closed. In 2002, 42 claims were dismissed or settled for an aggregate of approximately \$30,000 exclusive of attorney's fees. In 2003, 3 claims were granted summary judgment and 1 claim was dismissed and closed. In 2004, 8 claims were granted summary judgment and were closed, and 145 claims were dismissed, and 7 claims were settled for \$500 each. In 2005, 6 claims were granted summary judgment and were closed, 105 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. In 2007, 5 claims were granted summary judgment and were closed, 41 claims were dismissed, and 12 claims were settled for an aggregate of \$6,500. In January 2008 an additional 3 claims were dismissed. There were 203 known claims open and active as of January 31, 2008. 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 Condensed Financial Statements (Unaudited)

Note 7. 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 \$3 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 \$0.569 million on the consolidated balance sheet relating to the open and active claims against BNS Co. as of January 31, 2008 and 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, 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 from 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 Condensed Financial Statements (Unaudited)

Note 7. Commitments and Contingencies (Continued)

At January 31, 2008 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.

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 existing policies in effect at the time of the incurrence of the claim.

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 \$14.0 million and \$16.6 million as of January 31, 2008 and October 31, 2007, respectively.

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. An amount of \$10,628,138 was recorded as an amount due to the Dissenting Shareholder on the Company's consolidated 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.

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 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

BNS Holding, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements (Unaudited)

Note 7. Commitments and Contingencies (Continued)

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 three months ended January 31, 2008 and 2007 respectively in Collins's product warranties:

Reconciliation of Accrued Warranties Three Months Ended January 31 in (000)s	2008	2007
Accrued warranties at the beginning of period	\$ 4,101	\$ 1,221
Provisions for warranty charged against income for the three months ended January 31	179	236
Payments and adjustments for the three months ended January 31	(521)	(409)
Accrued warranties at January 31	\$ 3,759	\$ 1,048

Environmental remediation reserve: The Company's subsidiary, 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. BNS Co. and 21 other PRPs 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 condensed balance sheet at January 31, 2008 and October 31, 2007. 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 Condensed Financial Statements (Unaudited)

Note 8. 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. 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.

For the three months ended January 31, 2008 and 2007, Collins incurred fees and expenses of \$291,479 and \$313,000 respectively to AIP under this agreement.

Note 9. Subsequent Events

On February 9, 2008 an auction was held in Bluffton, Ohio. The auction was held to liquidate the remaining plant equipment at that site and generated \$364,000 in net equipment sales. No gain or loss is anticipated from this sale.