

BNS Holding, Inc.
61 East Main Street
Los Gatos, California 95031

September 15, 2008

Dear Fellow Shareholders:

We are pleased to report the results of our third quarter that ended July 31, 2008. Our net sales for the quarter decreased by 20.4% to \$73.7 million compared to \$92.6 million during the third quarter of last year. The decrease was due to a 25% decline in specialty vehicles shipped to customers which was partially offset by an increase in average realized pricing. The decline in vehicles shipped is due to a combination of factors. We experienced some shortages of chassis from a key supplier following the settlement of a strike by American Axle. More importantly, continued weakness in the economy, coupled with higher gasoline and diesel prices, have disrupted traditional vehicle replacement patterns in our ambulance and school bus business. Our terminal truck business has been adversely affected by lower activity at port facilities and distribution centers. There has been dual negative effect on our customers. We believe higher operating expenses have consumed budgets that otherwise might have gone for new purchases. At the local government level, revenues have also fallen off due to lower tax receipts. This shortfall adversely affects our customer's capacity to fund vehicle replacements.

Due principally to the decline in vehicle sales, our gross profit during the quarter declined by 27.2% to \$8.7 million compared to \$11.9 million during the third quarter of 2007. As a percentage of net sales our gross profit margin decreased to 11.7% in the third quarter of 2008 from 12.8% in the third quarter of 2007.

Selling, general and administrative expenses during the quarter increased by 12.1% to \$5.5 million compared to \$4.9 million during the third quarter of 2007. Two thirds of the increase was due to an increase in non-cash intangible amortization expense following Collins' final purchase accounting determinations at the end of last year. The balance of the increase was due to the acquisition of Collins Canada at the end of last year.

Income from operations declined to \$3.1 million during the second quarter compared \$7.0 million in 2007. After recording lower interest expense during the period and accounting for minority interest, our net income for the period was \$22,519 compared with a net income of \$1,840,903 during the third quarter of 2007.

Cash flow from operations during the nine months ended July 31, 2008, measured by earnings before taxes, depreciation and amortization was \$14.4 million and \$16.7 million for the nine months ended July 31, 2007, before non-recurring charges of \$1.5 million and \$2.8 million, respectively in 2008 and 2007, and related party fees and expenses of \$1.3 million and \$1.2 million respectively in 2008 and 2007.

As mentioned in our second quarter report, the US economy has weakened and business conditions remain very challenging. Although we have seen some recent declines in energy and commodity pricing, overall consumer confidence remains low, revenue and profits are down and capital budgets remain very conservative. We are certainly disappointed with the results during the quarter but we know that our business improvement initiatives undertaken during the last year have allowed us to better navigate these uncertain times. We continue to work hard to build a cost effective and efficient infrastructure that will provide greater prosperity in the future.

We thank you for your continued support.

Sincerely,

Ken Kermes
Chairman of the Board