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## Final Research Report

Investors should consider this report as only a single factor in making their investment decision.

### BioForce Nanosciences Holdings, Inc.

Rating: Not Rated

Juan Noble

May 12, 2009

#### BFNH \$0.07 (OTC PK)

|  | 2006A           | 2007A                  | First Nine Mos. 2008A |
|--|-----------------|------------------------|-----------------------|
| Total revenues (in thousands)                | \$415           | \$1,125                | \$856                 |
| Earnings (loss) per share                    | (\$0.17)        | (\$0.16)               | (\$0.09)              |
| 52 - Week range                              | \$0.40 - \$0.05 | Fiscal year ends:      | December              |
| Shares outstanding as of November 11, 2008   | 25.3 million    | Revenue/shares (ttm)   | NA                    |
| Approximate float                            | 12.9 million    | Price/Sales (ttm)      | NA                    |
| Market Capitalization                        | \$1.8 million   | Price/Sales (2009)E    | NA                    |
| Tangible Book value as of September 30, 2008 | (\$0.01)        | Price/Earnings (ttm)   | NA                    |
| Price/Book                                   | NM              | Price/Earnings (2009)E | NA                    |

BioForce Nanosciences Holdings, Inc. (BFNH OTC PK), headquartered in Ames, IA, markets the Nano eNabler™, a benchtop molecular printer used to produce ultraminiaturized biological sensors, biological tests and other ultraminiaturized devices. The company produces proprietary consumables – surface patterning tools and silicon chips – to support the Nano eNabler, and is developing advanced diagnostics, standard and customized patterned surfaces, and a high-throughput Nano eNabler system for use by biopharmaceutical firms.

#### Key Investment Considerations:

We are issuing our final report on BioForce Nanosciences Holdings (BFNH OTC PK) and changing our investment rating to Not Rated from Speculative Buy. The company has discontinued filing reports with the SEC. The latest available operating and financial information is from a 10Q filing covering 3Q08 and the first nine months of 2008.

The Nano eNabler, BioForce's initial product, is a novel benchtop molecular printer with broad biomedical applications. The Nano eNabler enables researchers to precisely place minute quantities of sample-bearing fluids onto a variety of very small surfaces (chips) where the samples lend themselves to complex analyses.

Revenue through September, 2008 was up 48% year-on-year. The company has cut its operating expenses, targeting a \$500,000 a year reduction, by out-licensing some of its technology and cutting staff.

There is significant revenue potential in a worldwide academic and non-profit laboratory market of at least 1,300 institutions, some potentially multiple-placement sites. In the US, academic and non-profit laboratories are generously funded by the Federal government.

The company intends to release updated financial information on its Website and the Pink Sheets' OTC News and Disclosure Service but as of this writing, the most recent financial data available is from 3Q08.

\* Please view our disclaimer located on page 14.

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**Overview**

The business of BioForce Nanoscience Holdings, Inc. (BFNH OTC PK) was founded by the company's chief science officer, Eric Henderson, in 1994 and acquired in 2006 by an inactive Nevada corporation (chartered in 1984), which changed its name to BioForce in 2006. Among the company's officers, Eric Henderson is the largest shareholder (16% owned/controlled). The largest single portion of the company's common stock is owned by FCPR SGAM Biotechnology Fund (France), which has a 34% holding.

BioForce's principal product is the Nano eNabler™, a benchtop molecular printer capable of patterning biological and non-biological matter in minute quantities on several types of solid surfaces. The patterns, or arrays, created by the Nano eNabler using only minimal sample quantities, can be exposed to other substances to create reactions that are analyzed through a variety of methods. This capability can be used to develop faster-acting and less expensive diagnostics and therapies with potential applications in point of care diagnosis and therapy, and "personalized" medicine tailored to individual patients. Compared to other technologies currently used to create patterns, the Nano eNabler is more efficient, precise, consistent and versatile, characteristics which underlie the system's potential in academic research laboratories and in a production role in biopharmaceutical companies.

The Cyto eNabler™ system, launched in 2Q08, is a lower-priced molecular printer developed for the cellular biology research market. The cellular biology system features greater ease of use relative to the Nano eNabler but lacks some of the software-based control features that cellular biology researchers find unnecessary.

The company also offers the SPT™ surface patterning tool and Sindex™ silicon chips, the print cartridges and paper, respectively, used by the Nano eNabler to print arrays. A significant portion of the company's largest selling products – 50% of Nano eNablers and 67% of ProCleaners - are generated overseas through distributors.

The Nano eNabler was commercialized in 2005. Missionary work in 2006 was aimed at placing the system in selected laboratories, mainly academic ones, with a view to selling the systems to users after a one-year trial period and generating publicity based on their experience. Twenty Nano eNablers were placed in evaluation sites in 2006, most in the latter half of the year. Nine were sold in 2007 and 10 in the first nine months of 2008. The feedback we have obtained from some Nano eNabler users, while limited and anecdotal, suggests prospects for wide long-term acceptance that are good, albeit very long term in nature.

The Nano eNabler system can be used in the production of ultraminiaturized biological sensors, biomedical tests and other ultraminiaturized devices that could fuel growth of nanotechnology and overcome limitations of existing technologies aimed at microscale encoding. Researchers and scientists seeking to perform tasks at the nanoscale level are likely to turn increasingly to systems such as the Nano eNabler for their instrumentation needs.

Beyond commercialization of the Nano eNabler in the academic research community, the company aims to pursue development of proprietary diagnostics, therapeutics, self-diagnosis systems, and, ultimately, capabilities for personalized medicine. The company also aims to commercialize, possibly by 2010, a high-throughput version of the Nano eNabler for production use in the biopharmaceutical industry. Nanodiagnostics, already in development, could be commercialized by 2011. Self-diagnosis and personalized medicine system are longer-term development projects.

Since 2005, the company has raised more than \$7 million in financing, the largest portion (\$5.3 million) from a private placement of four million common shares in 2006. In 2008, BioForce will burn an estimated \$2 million in cash, requiring \$1 million in additional financing, a figure that includes proceeds from the June, 2008 and July, 2008 issuance of convertible notes.

### ***Applications in Biomedical Research***

The convergence of nanotechnology and biomedical sciences offers significant developmental potential in a number of areas, two of which, diagnostics and highly specific therapies, are targeted by BioForce. Patterned surfaces created by the Nano eNabler are also being used in stem cell and tissue engineering research projects.

Biological tests measuring the presence or activity of specific substances are faster and more sensitive when certain nanoscale particles are utilized as tags or labels. For example, magnetic nanoparticles bound to a suitable antibody can be used to label specific molecules, structures or microorganisms. Gold nanoparticles tagged with short segments of DNA can be used to detect the genetic sequence in a sample. Nanopore technology for analysis of nucleic acids converts strings of nucleotides directly into electronic signatures.

Drug consumption and side-effects can be lowered significantly by depositing an active agent only in the target region in the smallest dose consistent with efficacy. Nanoporous materials may hold small drug molecules and carry them to the target location, enabling a highly targeted approach that reduces costs and adverse side effects. A targeted or highly specific medication would require a considerably smaller dose than one absorbed systemically, minimizing drug consumption, improving side effects profiles and reducing healthcare costs.

Drug delivery based on nanoelectromechanical systems (NEMS) is also being explored for the potential capability of extremely small machines to deliver and release drugs. Some potentially important applications include cancer treatment with iron nanoparticles or gold shells. Implantable ultraminiaturized time-release drug delivery systems can be preferable to injections as they could reduce high, initial drug concentrations that could be toxic, and also sustain dose efficacy by keeping the drug levels from dropping below targeted dose ranges.

### ***Strategy***

The company's strategy aims to create awareness of the Nano eNabler's potential utility, generating longer-term demand for its array printers and patterned surfaces used by researchers in developing diagnostics and therapeutics. In 2006, BioForce launched its Pilot Placement Program, targeting selected US and international institutions which might be willing to evaluate the Nano eNabler.

Potential placement sites were selected based on interest in using the Nano eNabler, the quality of research projects proposed for use of the instrument, the reputation of the research institutions and their scientists, the likelihood that use of the Nano eNabler would be cited in scientific publications, potential sale of the system to the institutions and their willingness to allow BioForce to participate in the development of new applications stemming from the use of the instrument. In some instances, BioForce has a right of first refusal on rights to collaborators' inventions stemming from their use of the Nano eNabler.

In 2007, BioForce's marketing efforts were expanded to include encouraging placement sites to publish papers citing the Nano eNabler that would potentially generate interest among researchers who had not yet used the system. The company also encourages existing placement sites to purchase the Nano eNabler or seek funding to finance the purchase of the systems they are evaluating. BioForce also attempts direct selling through exhibits and presentations at US trade shows and scientific meetings, as well as through networks based on existing customer relationships.

The following is a partial list of institutions in which the Nano eNabler has been used.

|   |                                       |
|---|---------------------------------------|
| Harvard Medical School                                  | Louisiana Tech University             |
| Harvard Children's Hospital                             | University of Wales                   |
| Johns Hopkins University                                | University of Limerick                |
| Stanford University James H. Clark Center               | Georgia Institute of Technology       |
| National Institute for the Physics of Matter (CNR-INFM) | Massachusetts Institute of Technology |

BioForce sells its product line through one US distributor and 11 overseas distributors that cover Western Europe, the UK, Japan, India, China, Australia, Singapore, South Korea, Thailand, Indonesia, Taiwan, and Vietnam, Canada and Latin America. The company's distributors are supported by three technical sales representatives. Historically, roughly half of the company's Nano eNabler sales and two-thirds of its ProCleaner sales have been to foreign customers; these proportions have not changed materially in the past three years.

BioForce has established scientific collaborations with several leading medical research institutions, including Harvard Medical School, Johns Hopkins University, Stanford University, Universite Pierre & Marie Curie and the Massachusetts Institute of Technology. Potential applications have been identified in stem cell biology, cancer cell biology, tissue engineering, biosensors and neuro biology. To the extent that scientific collaborations are productive, BioForce could develop and market a broader spectrum of products. Strategic partnerships aimed at establishing broad marketing and distribution capability are also a key objective.

### ***Product Line***

The Nano eNabler is a benchtop molecular printer capable of placing biological and non-biological fluid samples in quantities as small as one quintillionth to one quadrillionth of a liter onto a wide variety of solid surfaces to create features in the approximate size range of one-millionth to 15 millionths of a meter. The system can place small molecules, reactive solutions and nanoparticles on a surface. The patterns created by this printing system, called arrays, can be exposed by researchers to other molecules or substances, causing reactions read by several analytical methods. Miniaturization reduces sample sizes to the barest minimum, enabling the Nano eNabler to create, for example, a diagnostic chip that uses just a few cells extracted from less than a drop of blood.

The complete Nano eNabler system includes a motion control system, an optical observation system, and a surface patterning system. The system is controlled by software with a graphical interface designed to retain significant depth of functionality for high-throughput users while providing ease of use for less experienced users.

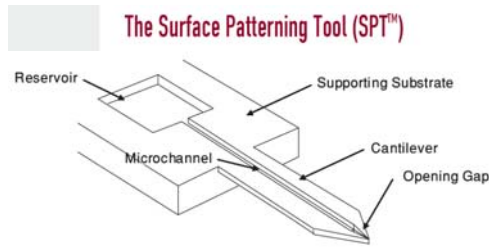
The Cyto eNabler™ system, launched in 2Q08, was developed for the cellular biology research market. Priced (including installation and warranties but net of distributor discounts) at around \$60,000, vs. \$100,000 for the Nano eNabler, the cellular biology system features greater ease of use relative to the initial system but lacks some of the software-based control features that cellular biology researchers find unnecessary.

BioForce has developed proprietary consumable products to support the Nano eNabler system. These products, which also have potential utility in atomic force microscopy and other applications, are marketed to existing Nano eNabler systems and through BioForce's on-line store.

SPT™ surface patterning tools are the "print cartridges" of the Nano eNabler system. Each one is a microcantilever-based microfluidic sample handling and delivery device. SPTs contain either a single microcantilever print head or multiple microcantilevers that can simultaneously print multiple molecular species or materials. The integrated microfluidic network transports fluid samples from reservoirs located on the SPT through microchannels to the opening at the tip of the cantilever.

Thousands of spots can be printed with one load. SPTs can be used to print materials that include biological samples such as proteins, DNA, RNA and whole viruses, as well as non-biological samples such as chemical solutions, colloids and particle suspensions. The biological and non-biological materials to be printed are deposited via the SPT in the locations and quantities specified by the user. The company supplies a variety of SPTs to meet a broad range of customer needs. Custom SPT design and fabrication services are also offered.



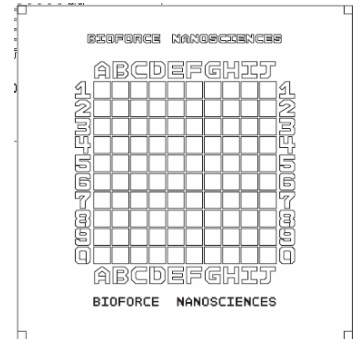


SPTs are disposable, obviating the need for labor intensive cleaning and eliminating risk of contamination. For repeated use, SPTs can be cleaned in a BioForce cleaning device.

Sindex™ silicon chips are analogous to the "paper" upon which the printing takes place. These chips are index-etched printing surfaces that offer Nano eNabler users required surface chemistry and observable indexing features for easy location and relocation of arrays on chips.

The chips are 4X4 mm silicon substrates that contain topographically defined pads that are arrayed within an alphanumeric indexing system.

The pads are flat and smooth, making them compatible with conventional and other more exploratory readout mechanisms. The indexing system allows precise location and relocation of specific positions on the chip. The surface can be coated with different metals and treated by a variety of approaches that can make it chemically reactive. Sindex chips come in two pattern options, the 10X10 pad array with 200 micron square pads (seen at right) and the 15X15 pad array with 100 micron square pads.



Sales of consumable printing supplies, surface patterning tools and other products accounted for 40%% of revenue in 2006, and 20% of revenue in 2007. In the first nine months of 2008, ancillary products and services accounted for 28% of sales, vs. 29% in the year-earlier period.

On March 27, 2008, the company announced the launch of a Surface Patterning Service utilizing its Nano eNabler molecular printers. BioForce uses the Nano eNabler to print proteins and nucleic acids onto surfaces based upon a customer-defined pattern. The Surface Patterning Service will extend the benefits of precision and flexibility to researchers with relatively small scale needs without requiring them to make a capital commitment. Popular applications of these patterned surfaces include tissue engineering, stem cell research, and ultra-sensitive biomarker assays. This service will target customers with a need for patterned surfaces but who have limited budgets. As acceptance of Surface Patterning Service widens, BioForce plans to develop a standard catalog of the most frequently requested biomolecular patterns.

Products in Development

**Extended Nano eNabler Line** In addition to the initial Nano eNabler, BioForce is developing a high-priced (est. \$300,000) production Nano eNabler being developed for use by biopharmaceutical companies is planned for introduction in 2010. The production Nano eNabler will have significantly higher throughput, based on simultaneous multiple array printing capability and multiple-well SPTs.

**NanoDiagnostics** NanoDiagnostics are miniaturized diagnostic tests for clinic or home testing that require only minute samples, are less invasive and have low patient impact, yet yield high information content. Proof of concept studies for these diagnostics are underway, as are efforts to secure funding and a clinical contract. Clinical sample testing is targeted for 2009 and the company aims to establish a strategic partnership by 2010.

On August 12, 2008, the company announced that it licensed applications technology, including ViriChip, Chip-on-a-Tip and CellWell diagnostic and detection systems to Aspera Corp. on a non-exclusive basis in exchange for royalties on any revenue generated by Aspera from the licensed technology. BioForce is taking 19% equity interest in Aspera. Four BioForce employees who were directly involved in the development of the licensed technology being transferred to Aspera and existing government grants relating to that technology will also be transferred. This transaction, along with other organizational changes in BioForce, aim to reduce the company's cash expenses by approximately \$500,000 per year.

**Intellectual Property**

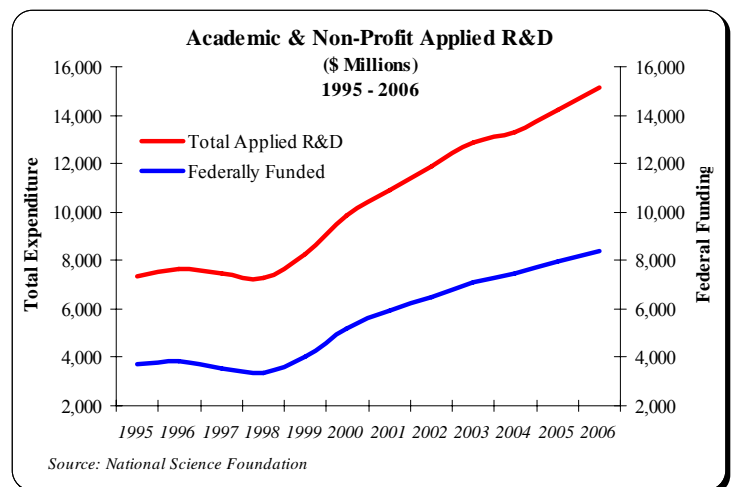
Six US patents have been issued covering BioForce’s technology and its uses. The Nano eNabler (nanoscale molecular arrayer) patent covers its components and controls, including a humidity control system that serves as a capillary bridge loading substrate, deposition probe and deposition substrate. In October, 2007, BioForce announced that the US Patent and Trademark Office upheld its Protein Nanoarray patent, satisfying a third party’s request for re-examination of the patent.

The other issued patents cover atomic force microscopy technology, specifically a method for selectively removing objects from a surface utilizing a probe and methods for making nanoarrays and conducting solid state genome and molecular analysis. One of the issued patents covers the ViriChip, both the device and the method of use for detection and characterization of pathogens and biological materials.

BioForce has also received notices of allowance covering the Sindex chip and Chip on a Tip. Patents are pending on the Sindex chip, the SPM surface patterning tool, the Cell Well nanodiagnostic and an AFM screening technique.

**Market Opportunity**

Academic research institutions are the company’s initial target market for the Nano eNabler. US Government statistics show that in 2006 (latest compiled), US expenditures for research totaled \$342 billion, of which \$79 billion was for applied research. The bulk (\$53 billion) of applied R&D expenditures was seen in industry. US academic institutions’ expenditures for applied R&D totaled \$10.3 billion; other non-profit institutions’ applied R&D accounted for \$4.8 billion. US expenditures for applied R&D increased steadily from 1995 to 2006, rising an average of 6.2% a year. Applied R&D average annual growth rates by sector ranged from 5.6% in universities and colleges to 10% in other non-profit institutions.



Non-corporate applied R&D is generously funded by the federal government. In 2006, 56% of academic applied R&D expenditures were underwritten by the federal government, a share slightly exceeding the government’s 53% contribution to other non-profit organizations’ applied R&D.

The National Science Foundation reported (2003 statistics) that there were 465 research-performing academic institutions (annual R&D expenditures of \$1 million or more) and almost 200 nonprofit biomedical research institutions in the US. We believe that the figures for the European Union, a principal overseas target market, are comparable, giving the company a combined US-Europe potential market of around 1,300 research institutions, a figure subject to an increase if academic laboratories in East and South Asia are included.

If BioForce achieves a market penetration of as little as 5% and replicates that every year, the academic and non-profit research lab could represent a \$6.5 million annual revenue opportunity for the Nano eNabler alone. Sales of other existing products such as surface patterning tools, and silicon chips could, selling through a Nano eNabler penetration, potentially help expand total annual revenue during the next several years.

At this stage, BioForce aims to position its product line for specific applications in the biomedical and life sciences industries, including microarrays, molecular diagnostics, molecular detection and nanotechnology instrumentation (including atomic force microscopy). The microarrays printed by the Nano eNabler have

applications – lab-on-a-chip, cell biology, and protein array-based research and analysis – with potentially broad utility in drug discovery and epidemiological profiling work in the biopharmaceutical industry and academic medical laboratories. The Nano eNabler can also coat chemical sensors and biosensors used in molecular detection.

The Nano eNabler creates chips and devices in sizes that lend themselves to the detection and molecular analysis capabilities of atomic force microscopy, a product line that currently account for a significant portion of revenue. The NanoReader™ device envisions employing the capabilities, subject to consent of patent holders, of atomic force microscopy systems as a bio-readout device, creating another avenue of entry for BioForce to share the field with the estimated 15,000 AFMs currently in use.

### ***Competition***

BioForce's patterning system is unique and has no direct competitors. In a February, 2008 article entitled *Biosensor Functionalization Using BioForce Nanosciences' Nano eNabler System*, Frost & Sullivan characterized the Nano eNabler as “a disruptive technology that challenges the conventional methods of printing and lithography.”

The Nano eNabler is the first instrument developed for printing user-defined patterns of one to 30 micrometer spots and lines on a variety of surfaces with nanometer precision. The system offers a great deal of flexibility and could potentially enable new applications in cell patterning, biomarker screening, virus detection, drug discovery and small volume assays. Other companies that offer products with similar functions include Affymetrix, BioRad, Perkin Elmer, Agilent and NanoInk (microarrays and protein biochips); Lab Corp and Quest Diagnostics (molecular diagnostics and detection); Veeco, Agilent and FEI (nanotechnology instrumentation); and NovaScan (specialized atomic force microscopy products).

While there are other technologies – micro-contact printing, nanopipettes, AFM nanolithography and ink-jet printing – in use with capabilities similar to those of the Nano eNabler, the company believes that its product is strongly differentiated in that it combines greater printing speed, reduced clogging of the printing stylus, reliability, multiplexing, size range, and biological compatibility.

BioForce observed that the AFM lithography systems offered by NanoInk and Veeco perform poorly with biomolecules, have slower processing times and encounter multiplexing difficulties. In addition, they do not hit the 1 to 20 micron feature sizes, the “sweet spot” range. The micropipetting systems sold by Nanonics are costly to operate and prone to clogging. Microstamping systems, which are offered by a number of individual laboratories, are expensive and difficult to align. As the older-technology pin spotters and ink jet systems sold by Hewlett Packard and Affymetrix print in large spot sizes, they have limited applications in nanotechnology.

Nano eNabler users we contacted cited greater utility, precision and efficiency compared to alternative array printers such as pipettes and pin array and lithography technology. The environmental (humidity) control capability was referred to by a user as facilitating tighter control over the printing process. Potential useful improvements suggested by a user was the development of an SPT with more than (the current maximum) four wells, which would increase throughput.

### ***Recent Developments***

*Suspension of SEC Filings* In a press release dated April 14, 2009, the company announced that it filed a notice with the Securities and Exchange Commission to terminate the company's registration under the Securities Exchange Act of 1934. As a result, the company's obligation to file periodic and current reports with the SEC, including Forms 10-K, 10-Q and 8-K, has been suspended. The suspension was based on a need to contain costs and expenses, mainly the costs of compliance required by the Sarbanes-Oxley Act of 2002, the expenses

(\$200,000 annually) associated with the preparation and filing of periodic and current reports with the SEC, and the diversion of management's time and efforts from the tasks required to manage the business. In the press release, management stated its intent to provide quarterly and annual updates, and other information regarding performance to shareholders via the Pink Sheets' OTC News and Disclosure Service, as well as through the company's e-mail database and Website. The company anticipates that trading will continue in its common stock on the Pink Sheets under the same symbol of 'BFNH.'"

Employee Compensation Agreements In an 8K filing dated March 17, 2009, the company reported that on March 11, 2009, BioForce entered into employee compensation agreements with each of its employees. Under the terms of these agreements, each employee was granted a security interest in BioForce's inventory, accounts, general intangibles and equipment in connection with BioForce's obligation to pay employee wages and reimbursable expenses.

Promissory Note in favor of the State of Iowa In an 8K filing dated March 17, 2009, the company reported that on March 16, 2009, BioForce executed a promissory note dated February 25, 2009 in favor of the State of Iowa, Department of Economic Development in the amount of \$92,253.82, repayable in seventy-two monthly installments of \$1,522 including interest at an annual rate of 6%. A blanket security interest in BioForce's assets was granted to IDED as security for BioForce's obligations under the promissory note. Upon execution of the promissory note all payment obligations under the Community Economic Betterment Account (CEBA) Royalty Agreement between BioForce and IDED dated July 10, 2011 were canceled, and the default situation under that Royalty Agreement as reported on an 8-K filed on February 6, 2009 was resolved.

In an 8K filing dated February 6, 2009, the company reported On February 2, 2009 it received a notice of default, dated January 26, 2009, from the Iowa Department of Economic Development related to our Community Economic Betterment Account (CEBA) Royalty Agreement dated July 10, 2001, under which the company was loaned the sum of \$100,000 from IDED. That agreement called for BioForce to make royalty payments to IDED in the amount of one half percent of our prior year gross revenues on June 1st and December 1st of each year until such time as a total repayment of \$200,000 has been made. The notice of default related to unpaid royalties in the amount of \$11,250.30, and gave BioForce until February 26, 2009 to cure the default. If the default was not cured within thirty days of the date of IDED's notice, IDED could require immediate repayment of the full amount due under the royalty agreement.

First NanoEnabler Sale to Commercial User On February 9, 2009, the company announced the first sale of a Nano eNabler System to an international semiconductor manufacturer. This is the first sale of a NanoEnabler intended for use in a production rather than research laboratory environment. The company envisions a future need for the Nano eNabler in the production of biosensors and other diagnostic devices requiring ultra-micro to nano scale fluid deposition.

## ***2008 Management Update***

In a press release dated January 19, 2009, the company summarized its view of 2008 highlights as follows:

- Sales of a 13 Nano eNabler systems and expansion of the company's user base, which now includes customers in North America, Europe, Asia, Australia and South America.
- Further collaborations with academic researchers, resulting in scientific agreements being executed with UAlbany NanoCollege, University of Pierre and Marie Curie, Arizona State University, Iowa State University, and St. Thomas University, and publication of favorable research results from the Massachusetts Institute of Technology (MIT).
- Expansion into new markets through use of the Nano eNabler technology platform for non-biological applications, the first of which, employed by two BioForce customers, involves printing electronic

## BioForce Nanosciences Holdings

circuits as an alternative to lithography by drawing micron-scale lines of conductive inks in the design of the circuit to be tested.

- Inclusion of \$1.6 million of funding for the Company's ViriChip pathogen detection system in the 2009 Department of Defense Appropriations Act.
- Significant reduction in operating expenses while continuing technology development efforts both in house and in conjunction with its collaboration partners.

### ***Third Quarter 2008 Results***

***Operations*** For the first nine months of 2008, BioForce incurred a loss (including preferred dividends of \$30,000) of \$2.3 million, or (\$0.09) per share, on revenue of \$856,000. In the first nine months of 2007, the company incurred a loss of \$3.4 million, or (\$0.14) per share, on revenue of \$579,000. In the first nine months of 2008 the company sold 10 Nano eNabler systems, up from four for the first nine months of 2007. ASPs, however, dropped to \$61,300 in the first nine months of 2008 vs. \$103,000 in the year-earlier period as the company offered discounts to institutional collaborators as an inducement to purchase systems that were being evaluated.

Sales of ancillary products and services for the first nine months of 2008 accounted for 28% of total revenue, vs. 29% in the year-earlier period. Increased sales of ProCleaner systems, which were up 44% to \$129,000, offset a \$26,000 decline in sales of atomic force microscopy systems, which were discontinued in April, 2007. Sales of other products, which increased to \$76,300 from \$62,400, and Nano eNabler warranties, which increased to \$38,000 from \$15,400, also supported strong gains in sales of ancillary products and services.

|                                | 9 Mos. Ending Sep 30 |         | % $\Delta$  |
|--------------------------------|----------------------|---------|-------------|
|                                | 2008A                | 2007A   | '08 vs. '07 |
| Revenues                       | 856                  | 579     | 48%         |
| Cost of sales                  | 513                  | 434     | 18%         |
| Gross profit                   | 343                  | 145     | 136%        |
| Operating expenses             |                      |         |             |
| R&D                            | 899                  | 897     | 0%          |
| Sales/marketing                | 806                  | 919     | (12%)       |
| G&A                            | 1,131                | 1,961   | (42%)       |
| Reimbursement - grant exp      | (267)                | (415)   | (36%)       |
| Total                          | 2,569                | 3,362   | (24%)       |
| Operating loss                 | (2,225)              | (3,216) | (31%)       |
| Other                          |                      |         |             |
| Interest and other income      | 8                    | 41      | (80%)       |
| Gain on equipment sale         | 44                   |         |             |
| Debt forgiveness income        |                      | 164     |             |
| Abandoned stock offering costs |                      | (257)   |             |
| Interest expense               | (118)                | (11)    | 1023%       |
| Net loss                       | (2,291)              | (3,278) | (30%)       |
| Preferred dividends            | 30                   | 134     |             |
| Net loss on common stock       | (2,321)              | (3,412) | (32%)       |
| Avg shares outstanding         | 25,128               | 24,083  |             |
| Loss per share                 | (0.09)               | (0.14)  | (35%)       |

Operating expenses (before grant reimbursements) dropped 24%. A \$830,000 reduction in G&A expenses was attributed to elimination of the chief operating officer and general counsel positions, and reduced spending on professional fees relating to intellectual property defense and maintenance. R&D expenses dropped due to the transfer of R&D personnel to the Aspera spinoff. Marketing expenses were lower due to the company's conversion to a lower fixed cost distributor-based sales effort from a direct sales force.

***Finances*** For the first nine months of 2008, the company burned cash of \$1.4 million, which was partly offset by a \$660,000 reduction in working capital needs. The net proceeds from factoring, convertible notes and warrants totaling \$730,000 partly offset cash consumed in operations, capital expenditures, patent and trademark investments. For the first nine months of 2008, cash declined by \$257,000 to \$12,000.

## ***Risks***

In our view, these are the principal risks underlying the stock:

*Acceptance* The satisfactory experience of a limited number of users in the Pilot Placement Program, reflected in sales of Nano eNablers through that program, point to broad upside revenue potential for the system. However, through 3Q08, sales had not ramped to a level needed to turn operations profitable.

*Continuing losses* BioForce is operated at a loss through 3Q08. If the company is unable to raise additional equity in sufficient amounts, it may have to curtail its activity, as conventional debt financing does not appear to be an option.

*Weakness in Internal Controls* Weaknesses in disclosure controls and procedures were noted in 3Q08, prior quarters and the 10-KSB for the year ended December 31, 2007. These material weaknesses are summarized as follows: 1) certain control procedures were unable to be verified due to performance of the procedure not being sufficiently documented. 2) certain personnel had access to various financial application programs and data that was beyond the requirements of their individual job responsibilities. 3) there are/were insufficient personnel to execute certain computing controls over information technology structure, and 4) there has been inadequate segregation of duties within certain areas impacting financial reporting. Due to these material weaknesses, management has concluded that for the three and nine month periods ended September 30, 2008, and as of September 30, 2008, the design and operation of the company's disclosure controls and procedures were not effective.

*Products in Development* BioForce's longer-term growth prospects also rest on new products. If progress toward 2010 licensing or commercialization goals is slow, investor perception of the stock could be adversely affected.

*Dilution* Since 2006, BioForce has financed its operations mainly through the issuance of 6.4 million common shares. In combination with a recapitalization, two private equity offerings doubled the number of shares outstanding in 2006. In an August, 2007 private placement, BioForce issued 500,000 investment units which included one million preferred shares convertible to an equivalent number of common shares. The units also included several series of warrants to purchase, in aggregate, four million common shares at exercise prices ranging from \$0.50 to \$1.25 per share. The convertible (at \$0.30 per share) debt issues we project for 2008 and 2009 would dilute earnings further. In its November, 2008 financing, the company sold 31,250 five-year warrants to purchase one common share at an exercise price of \$0.08 per share.

*Intervening Technology* There are currently no other systems than compete directly with the Nano eNabler, which has demonstrated better utility and efficiency than other technologies used to print microarrays. However, new technologies that do not breach the Nano eNabler patent could potentially be introduced to the market, undercutting any early-to-market advantage that the Nano eNabler may gain during the next year or so.

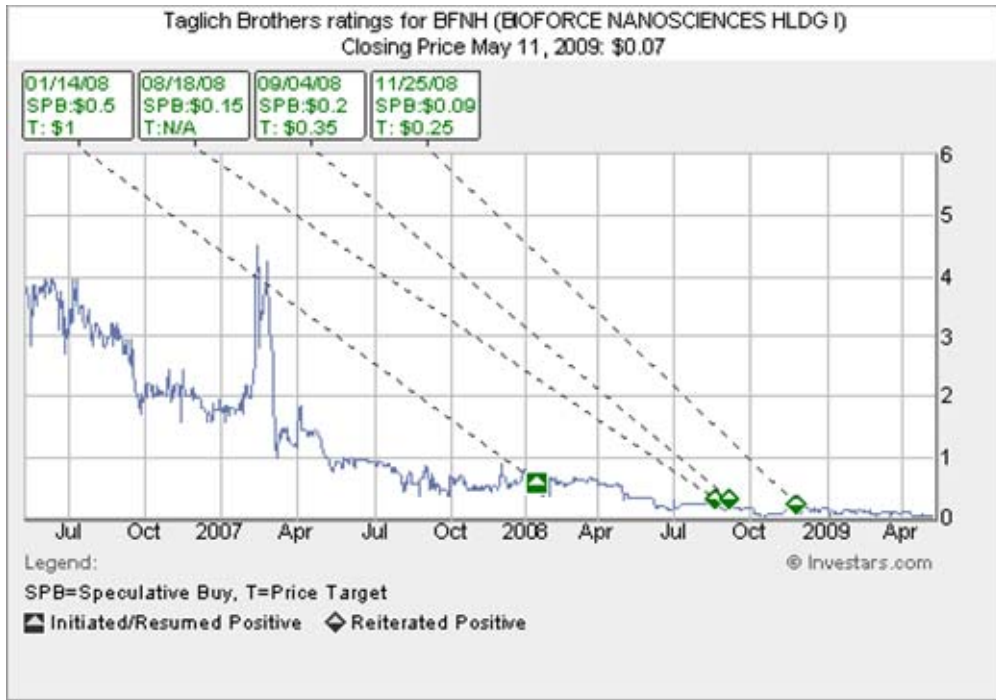
*Microcap Concerns* Shares of BFNH have risks common to the stocks of other microcap (which we define as market capitalizations of \$250 mil or less) companies. These risks often underlie stock price discounts from the valuations of larger-capitalization stocks. Liquidity risk, typically caused by small trading floats and very low trading volume, can lead to large spreads and high volatility in stock price. On average, approximately 13,300 shares are traded daily. There is currently no data available on the float for the stock, which is now traded as an OTC Pink Sheet issue.

*Miscellaneous Risks* The company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

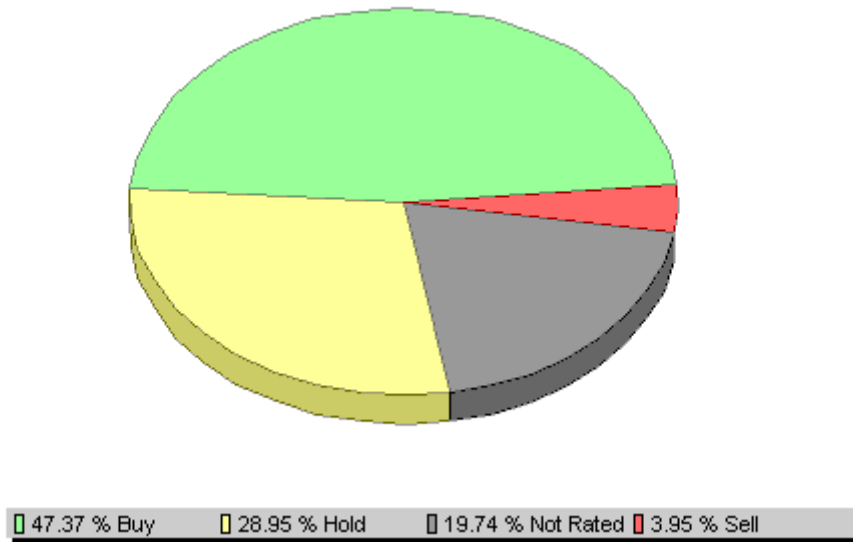
***Investment Recommendation***

**We are issuing our final report on BioForce Nanosciences Holdings (BFNH.PK) and changing our investment rating to Not Rated from Speculative Buy.** In our view, uncertain longer-term acceptance of the Nano eNabler and the lack of any financial data on the company make the stock suitable only for highly risk-tolerant accounts.

## BioForce Nanosciences Holdings



### Taglich Brothers Current Ratings Distribution



| <b>Investment Banking Services for Companies Covered in the Past 12 Months</b> |   |       |
|--|---|-------|
| Rating   | # | %     |
| Buy  | 2 | 7.41% |
| Hold   | 0 | 0     |
| Sell   | 0 | 0     |
| Not Rated  | 0 | 0     |

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

**Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

**Public companies mentioned in this report**

|                               |  |
|-------------------------------|--|
| Affymetrix (Nasdaq: AFFX)     | Laboratory Corporation of America (NYSE: LH) |
| Agilent (NYSE: A)             | Perkin Elmer (NYSE: PKI)                     |
| BioRad (Amex: BIO)            | Quest Diagnostics (NYSE: DGX)                |
| Johnson & Johnson (NYSE: JNJ) | Veeco Instruments (Nasdaq: VECO)             |

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As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not have an investment banking relationship with the company mentioned in this report and was not a manager or co-manger of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In November, 2007, the company paid a monetary fee of US\$24,000 for the creation and dissemination of research reports for one year.

**I, Juan Noble, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.**

BioForce Nanoscience Holdings  
Annual Income Statements  
2005– Sep, 2008  
(\$ Thousands)

|                                 | 2005A   | 2006A   | 2007    | 9 Mos ending<br>2008 |
|---------------------------------|---------|---------|---------|----------------------|
| Revenues                        |         |         |         |                      |
| Sales                           | 114     | 414     | 1,125   | 856                  |
| Consulting income               | 26      | 1       |         |                      |
| Total                           | 140     | 415     | 1,125   | 856                  |
| Cost of sales                   | 117     | 199     | 601     | 513                  |
| Gross profit                    | 23      | 216     | 524     | 343                  |
| Operating expenses              |         |         |         |                      |
| R&D                             | 1,198   | 839     | 1,146   | 899                  |
| Sales/marketing                 | 244     | 733     | 1,232   | 806                  |
| G&A                             | 798     | 2,029   | 2,494   | 1,131                |
| Reimbursement - grant expenses  | (361)   | (240)   | (552)   | (267)                |
| Total                           | 1,879   | 3,362   | 4,319   | 2,569                |
| Operating loss                  | (1,856) | (3,146) | (3,795) | (2,225)              |
| Other                           |         |         |         |                      |
| Interest and other income       | 17      | 157     | 45      | 8                    |
| Gain on sale of equipment       |         |         |         | 44                   |
| Debt forgiveness income         |         |         | 164     |                      |
| Abandoned stock offering costs  |         |         | (257)   |                      |
| Interest expense                | (254)   | (984)   | (12)    | (118)                |
| Net loss                        | (2,092) | (3,974) | (3,762) | (2,291)              |
| Preferred dividends             |         |         | 156     | 30                   |
| Net loss to common shareholders |         |         | (3,918) | (2,321)              |
| Avg shares outstanding          | 11,092  | 24,000  | 24,214  | 25,128               |
| Loss per share                  | (0.19)  | (0.17)  | (0.16)  | (0.09)               |

*Source: Company reports*

BioForce Nanoscience Holdings  
Quarterly Income Statements  
2007 – 3Q08  
(\$ Thousands)

|                                | 2 0 0 7 |         |         |        | 2007A          | 2 0 0 8 |        |        |
|--------------------------------|---------|---------|---------|--------|----------------|---------|--------|--------|
|                                | 1QA     | 2QA     | 3QA     | 4QA    |                | 1QA     | 2QA    | 3QA    |
| Sales                          | 359     | 185     | 36      | 546    | <b>1,125</b>   | 404     | 212    | 241    |
| Cost of sales                  | 176     | 156     | 96      | 174    | <b>601</b>     | 214     | 161    | 137    |
| Gross profit                   | 183     | 29      | (60)    | 372    | <b>524</b>     | 189     | 50     | 104    |
| Operating expenses             |         |         |         |        |                |         |        |        |
| R&D                            | 279     | 292     | 326     | 249    | <b>1,146</b>   | 298     | 306    | 294    |
| Sales/marketing                | 306     | 323     | 290     | 313    | <b>1,232</b>   | 290     | 295    | 221    |
| G&A                            | 659     | 674     | 629     | 533    | <b>2,494</b>   | 443     | 353    | 335    |
| Reimbursement - grants         | (125)   | (165)   | (125)   | (137)  | <b>(552)</b>   | (100)   | (65)   | (102)  |
| Total                          | 1,119   | 1,124   | 1,119   | 957    | <b>4,319</b>   | 931     | 889    | 748    |
| Operating loss                 | (936)   | (1,095) | (1,179) | (585)  | <b>(3,795)</b> | (742)   | (839)  | (645)  |
| Other                          |         |         |         |        |                |         |        |        |
| Interest and other income      | 22      | 13      | 6       | 4      | <b>45</b>      | 2       | 6      | 0      |
| Gain on equipment sale         |         |         |         |        |                |         |        | 44     |
| Debt forgiveness income        |         |         | 164     | 0      | <b>164</b>     |         |        |        |
| Abandoned stock offering costs |         |         | (257)   | 0      | <b>(257)</b>   |         |        |        |
| Interest expense               | (3)     | (4)     | (4)     | (1)    | <b>(12)</b>    | (6)     | (53)   | (60)   |
| Net loss                       | (917)   | (1,086) | (1,269) | (583)  | <b>(3,854)</b> | (746)   | (885)  | (660)  |
| Preferred dividends            |         |         | 134     | 21     | <b>156</b>     |         | 10     | 10     |
| Net loss on common stock       |         |         | (1,403) | (604)  | <b>(4,010)</b> | (746)   | (895)  | (670)  |
| Avg shares outstanding         | 24,041  | 24,100  | 24,100  | 24,614 | <b>24,214</b>  | 25,114  | 25,116 | 25,154 |
| Loss to common shareholders    | (0.04)  | (0.05)  | (0.06)  | (0.02) | <b>(0.16)</b>  | (0.03)  | (0.04) | (0.03) |

Source: Company reports

BioForce Nanoscience Holdings  
Balance Sheets  
2005 – 3Q08A  
(\$ Thousands)

|  | 2005A | 2006A | 2007A | 9-30-08A |
|--|-------|-------|-------|----------|
| <b>A S S E T S</b>                         |       |       |       |          |
| Current assets                             |       |       |       |          |
| Cash + equivalents                         | 363   | 2,603 | 269   | 12       |
| Accts rec                                  | 9     | 22    | 314   | 269      |
| Accts rec - factoring                      |       |       |       |          |
| Inventory                                  |       | 1,194 | 1,047 | 769      |
| Prepayments & other                        | 9     | 55    | 146   | 77       |
| Total                                      | 381   | 3,874 | 1,775 | 1,127    |
| Fixed assets                               | 587   | 538   | 584   | 375      |
| Intangibles                                | 455   | 649   | 732   | 675      |
| Long-term receivables                      |       |       |       | 21       |
| Investment in Aspera Corp.                 |       |       |       | 0        |
| Total assets                               | 1,422 | 5,061 | 3,091 | 2,197    |
| <b>LIABILITIES/EQUITY</b>                  |       |       |       |          |
| Current liabilities                        |       |       |       |          |
| Accts pay                                  | 89    | 506   | 305   | 506      |
| Accruals                                   | 191   | 193   | 242   | 321      |
| Recourse obligation - invoice factoring    |       |       |       | 151      |
| Accrued dividends on A                     |       |       | 13    | 10       |
| Conv secured notes                         |       |       |       | 488      |
| Deferred revenue                           |       | 9     | 54    | 32       |
| Note pay - curr                            | 878   | 132   | 89    | 80       |
| Total                                      | 1,159 | 840   | 703   | 1,588    |
| Long-term debt                             | 172   | 279   | 155   | 115      |
| Shareholders' equity                       | 91    | 3,942 | 2,233 | 495      |
| Total liabilities and shareholders' equity | 1,422 | 5,061 | 3,091 | 2,197    |

*Source: Company reports*

BioForce Nanoscience Holdings  
Cash Flow Statements  
2005 – 9 Mos (Sep) 08A  
(\$ Thousands)

|                                       | 2005A   | 2006A   | 2007A   | 9 Mos. end<br>9-30-08 |
|---------------------------------------|---------|---------|---------|-----------------------|
| Cash from operating activities        |         |         |         |                       |
| Net loss                              | (2,092) | (3,974) | (3,854) | (2,291)               |
| Depreciation/amortization             | 173     | 203     | 258     | 192                   |
| Stock based compensation              |         | 903     | 1,086   | 406                   |
| Patent/trademark abandonment          |         |         |         | 125                   |
| Interest exp - conversion option      |         |         |         | 29                    |
| Interest exp - issuance discount      |         |         |         | 47                    |
| Gain on sale of fixed assets          |         |         |         | 44                    |
| Debt forgiveness income               |         |         | (164)   |                       |
| Abandoned stock offering costs        |         |         | 257     |                       |
| Interest - beneficial debt conversion | 209     | 947     |         |                       |
| Changes in working capital            | 122     | (734)   | (330)   | 659                   |
| Net from operating activities         | (1,589) | (2,655) | (2,748) | (788)                 |
| Cash from investing activities        |         |         |         |                       |
| Capital expenditures                  | (347)   | (126)   | (265)   | (28)                  |
| Patents and trademarks                | (139)   | (222)   | (121)   | (99)                  |
| Investment in Aspera Corp.            |         |         |         | (0)                   |
| Total from investing                  | (486)   | (348)   | (386)   | (126)                 |
| Cash from financing activities        |         |         |         |                       |
| Issuance of long-term debt            | 1,350   |         | 68      |                       |
| Payments on long-term debt            | (1)     | (37)    | (71)    |                       |
| Proceeds from factoring               |         |         |         | 492                   |
| Payment on factoring                  |         |         |         | (342)                 |
| Proceeds from conv notes              |         |         |         | 441                   |
| Issuance of preferred stock           |         |         | 142     |                       |
| Issuance of warrants                  |         |         | 219     | 139                   |
| Exercise of warrants                  |         |         | 455     |                       |
| Preferred dividends                   |         |         | (13)    | (30)                  |
| Deferred stock offering costs         |         |         |         | (25)                  |
| Proceeds - equip leaseback/sale       |         |         |         |                       |
| Issuance of common stock              | 590     | 5,280   | 0       |                       |
| Total from financing                  | 1,939   | 5,243   | 800     | 676                   |
| Net change in cash                    | (136)   | 2,240   | (2,334) | (239)                 |
| Cash - beginning                      | 499     | 363     | 2,603   | 269                   |
| Cash - ending                         | 363     | 2,603   | 269     | 12                    |

Source: Company reports