TAGLICHBROTHERS
The Standard of Excellence in the Microcap Market
Member: FINRA, SIPC

Research Report - Update

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

BioForce Nanosciences Holdings, Inc.

Rating: Speculative Buy

Juan Noble

BFNH $0.11— (OTC BB)

November 25, 2008

	2006A	2007A	***2008E***	***2009E***
Total revenues (in thousands)	$415	$1,125	***$1,359***	***$3,591***
Earnings (loss) per share	($0.17)	($0.16)	***($0.12)***	***($0.08)***

52 - Week range	$1.00 - $0.10	Fiscal year ends:	December
Shares outstanding as of November 11, 2008	25.3 million	Revenue/shares (ttm)	$0.06
Approximate float	19.2 million	Price/Sales (ttm)	2.0X
Market Capitalization	$2.8 million	Price/Sales (2009)E	0.9X
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.OB), headquartered in Ames, IA, markets the Nano eNabler™, a benchtop molecular printer used to produce ultraminiaturized biological sensors, biolgical 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 maintaining coverage of BioForce Nanosciences Holdings (BFNH: OTC BB) with an investment rating of Speculative Buy but are reducing our 12-month price target of to $0.25 from $0.35 per share to reflect the market's contraction during the past few months. In our view, uncertain longer-term product acceptance and the company's precarious finances make the stock is suitable only for highly risk-tolerant accounts.

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 is up 48% year-on-year and the company has cut its operating expenses, targeting a $500,000 a year reduction, by out-licensing some of its technology and cutting staff.

In 3Q08 (results reported November 14, 2008), the company incurred a loss (after preferred dividends) of $670,000, or ($0.03) per share, on revenue of $241,000, vs. a loss of $1.4 million, or ($0.06) per share, on revenue of $36,000 for the year-earlier period. Losses should moderate as volumes rise and margins widen.

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.

We project cash burn of $1.9 million for 2008, and $1.1 million for 2009. We also project the issuance of an additional $560,000 in convertible debt through the end of 2009.

**** Please view our disclaimer located on page 15.***

Overview

The business of BioForce Nanoscience Holdings, Inc. (BFNH.OB) 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 good prospects for wide long-term acceptance.

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. Despite the anticipated ramp in the sales of the Nano eNabler and ancillary products, positive cash flow lies several years out, making it likely, based on our projections, that BioForce will need substantial additional financing at least through 2009.

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 surfaced 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 company sold nine Nano eNabler systems in 2007, vs. two in 2006. In the first nine months of 2008, BioForce sold 10 Nano eNablers, vs. four in the year-earlier period. The following is a partial list of institutions in which the Nano eNabler has been in use.

Harvard Medical School	Lousiana 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.

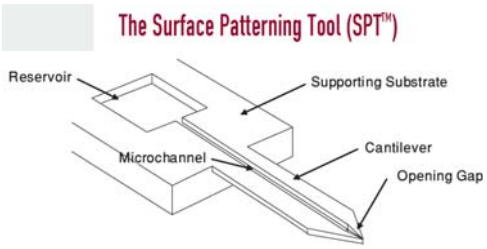
The complete Nano eNabler system includes a motion control system, an optical observation system, and a surface patterning system. The system is controlled by software with a graphical interface designed to retain significant depth of functionality for high-throughput users while providing ease of use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

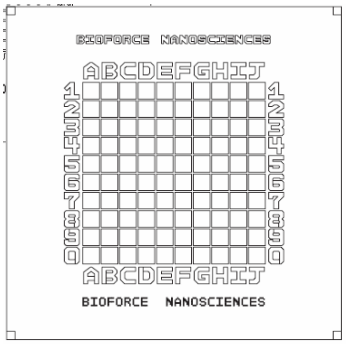
Thousands of spots can be printed with one load. SPTs can be used to print materials that include biological samples such as proteins, DNA, RNA and whole viruses, as well as non-biological samples such as chemical solutions, colloids and particle suspensions. The biological and non-biological materials 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, which have been recently made, aim to reduce the company's cash expenses by approximately $500,000 per year.

Intellectual Property

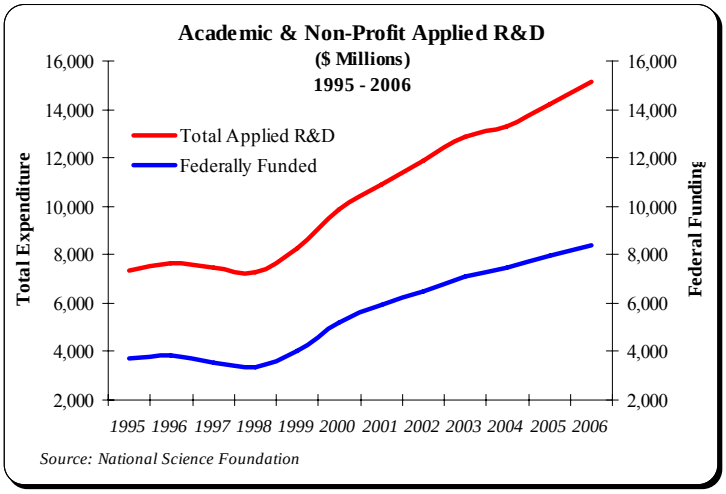
Six US patents have been issued covering BioForce's technology and its uses. The Nano eNabler (nanoscale molecular arrayer) patent covers its components and controls, including a humidity control system that serves as a capillary bridge loading substrate, deposition probe and deposition substrate. In 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, silicon chips, and accessories for atomic force microscopes and scanning probe microscopes could, selling through a Nano eNabler penetration of as little as 5%, potentially expand total annual revenue opportunity to $11 million within a few 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).

The table on the right shows available operating results for (publicly traded) competitors' businesses that support market applications targeted by BioForce.

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.

Sales ($ millions)	2007	% +/- vs. 2006	9 mos. 2008	% +/- vs. 2007
Microarrays and protein biochips				
Affymetrix (probe arrays)	181	6%	187 [1]	7%
BioRad - life sciences	615	7%	473	10%
- clinical diagnostics	832	22%	832	48%
Perkin Elmer - life & analytical sciences	1,327	16%	1,127	18%
- optoelectronics	460	15%	389	18%
Agilent (bioanalytical measurement)	2,005 [2]	20%	1,679 [3]	16%
Molecular diagnostics and detection				
Laboratory Corp. of America (genomic/esoteric tests)	4,068	13%	3,386	11%
Quest Diagnostics	6,704	7%	5,449	10%
Nanotechnology instrumentation				
Veeco Instruments (metrology)	151	(13%)	95	(13%)
Agilent (electronic measurement) [1]	3,415 [2]	3%	2,614 [3]	3%

[1] all consummables, incl. probe arrays [2] fiscal year ending October 31, 2007; [3] nine months ending July 30, 2008.

Source: SEC filings

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

MIT Researchers Demonstrate Nano eNabler Utility On October 28, 2008, the company announced that the Massachusetts Institute of Technology published an article discussing the use of the Nano eNabler to fabricate micro scale arrays containing large numbers of single-component and multiple-component protein spots of varying densities to study the adhesion and spreading of mouse muscle cells. The researchers discovered that the Nano eNabler enabled the creation of protein arrays which allowed them to align the mouse cells that had been deposited onto the arrays. The ability to control the alignment of cells has utility in the growth of organized cellular structures, a prelude to future work in stem cell differentiation and tissue engineering.

New Academic Collaboration On August 26, 2008, the company announced a collaboration agreement with the College of Nanoscale Science and Engineering (CNSE) of the University at Albany through which faculty, scientists and researchers at CNSE will utilize the Nano eNabler molecular printer for the development and evaluation of novel applications. Collaborative research efforts will focus on the development of novel polymeric Surface Patterning Tools (SPTs) for the direct printing of live cells. Surface Patterning Tools are the microfluidic dispensers used by the Nano eNabler to print materials on a surface. A secondary goal will be to evaluate and optimize the Nano eNabler system for printing molecules onto a variety of surface materials.

Aspera Corp. Licensing Agreement 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 development of the licensed technology being transferred to Aspera. This transaction, along with other organizational changes in BioForce, which have been recently made, aim to reduce the company's cash expenses by approximately $500,000 per year.

Third Quarter 2008 Results

Operations In 3Q, the company incurred a loss (to common shareholders) of $670,000, or ($0.03) per share, on revenue of $241,000, vs. a loss (to common shareholders) of $1.4 million, or ($0.06) per share, on revenue of $36,000, for the year-earlier quarter. We had projected a 3Q loss of ($0.03) per share, on revenue of $425,000. Although revenue fell short of our forecast, operating expenses for the quarter were curtailed. In 3Q, the company sold three Nano eNabler systems, up from none in the year-earlier quarter. Selling prices, however, were down markedly due to larger distributor discounts in 3Q08; the estimated average selling price for Nano eNablers dropped to around $56,000 for 3Q08 from around $60,000 in the prior quarter.

Ancillary products accounted for $73,000, or 30% of 3Q revenue, up from $36,000 in the year-earlier quarter. ProCleaner instrument sales more than doubled to $43,000. Warranty revenue practically doubled to $15,000 and sales of SPT surface patterning tools and Sindex silicon chips increased to $10,300 from $3,300. Gains in sales of ancillary products offset the effect of the discontinuance of atomic force microscopy system sales in April, 2007; atomic force microscopes accounted for $20,000 in sales in the year-earlier quarter. The gross margin for 3Q

widened to 43% from 16% due to production cost reduction measures that took effect after June, 2007, and the rise in ProCleaner sales, which yield higher gross margins.

Operating expenses for 3Q were down 33% to $748,000 due mainly to a 47% reduction in G&A expenses to $325,000, a 24% decline in sales/marketing expenses to $221,000, and a 10% drop in R&D 294,000. The reduction in R&D expenses was due mainly to the transfer of R&D personnel to Aspera Corp. Sales and marketing expenses declined due to the company's conversion to a lower fixed cost distributor-based sales effort from a direct sales force. G&A expenses dropped due to the elimination of the chief operating officer position and general counsel positions in January, 2007 and September, 2007, respectively, and reduced spending on professional fees relating to intellectual property defense and maintenance. Reductions in all operating expense lines were also attributed to the implementation of SFAS 123R in the treatment of stock-based compensation,

Reimbursements for grants dropped to $102,000 from $165,000 as a result of reduced spending on grant-related activities.

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		% △
	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 the same factors influencing 3Q G&A. Changes in all other operating expenses for the first nine months of 2008 were also driven mainly by the same factors highlighted in our discussion of 3Q operating expenses.

Finances In 3Q08, the company burned cash of $285,000, and increased working capital needs consumed another $157,000 in cash. Net factoring proceeds of around $150,000, and $440,000 in proceeds from convertible notes, offset cash used in operations and $42,000 in outlays for dividends, capital expenditures, patents and the investment in Aspera totaling $32,000. In 3Q, cash decreased by $160,000 to $12,000. 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.

On July 23, 2008, the company announced the completion of a second $300,000 convertible debt financing the second phase of the company's 2008 financing strategy, with the first phase having been the convertible debt financing of the same amount which was completed in June, 2008. The investor in this second financing was FCPR SGAM AI Biotechnology Fund, which also invested $200,000 in the June, 2008 financing. The transaction involved the issuance of $300,000 of convertible secured promissory notes, which are convertible into shares of the company's common stock at a price of $0.30 per share, and the issuance of 900,000 warrants to purchase shares of the company's common stock at a price of $0.30 per share.

Projections

Operations For 2008, we project a loss (including preferred dividends) of $3 million, or ($0.12) per share, on revenue of $1.4 million, vs. a loss of $3.9 million, or ($0.16) per share, on revenue of $1.1 million, for 2007. We had previously projected a loss of $($0.12) per share, on revenue of $1.6 million. While we project higher unit sales of Nano eNabler systems (14 vs. nine in 2007), a related rise in warranty revenue, and higher sales of ProCleaners, sales gains will be offset in some measure by lower average Nano eNabler selling prices in 2008 and the loss of atomic force microscopy products, which were discontinued in April, 2007. Gross margins, however, should be wider, as sales through distributors will be more profitable than the direct sales model used by the company last year, and, potentially, as average selling prices rise late in the year after discounted sales of Nano eNablers to collaborators diminish.

We project a 20% reduction in operating expenses to $3.5 million due mainly to a 40% drop in G&A reflecting the cost reduction measures implemented early in the year. Sales and marketing are projected to fall 8% to $1.1 million due largely continued cost containment efforts. R&D should remain flat at around $1.1 million, held at roughly that level in the near-term as a result of staff cuts and reduced activity relating to the out-licensing agreement with Aspera. Reductions in operating expenses will be offset in part by a drop in reimbursements on grant expenses as some grants are transferred to Aspera.

For 2009, we project a net loss (including preferred dividends) of $2.4 million, or ($0.08) per share, on revenue of $3.6 million. We had previous projected a loss of ($0.07) per share on revenue of $3.8 million. By our estimates, revenue will more than double as Nano eNabler sales increase to 24 from a projected 14 in 2008. We also project sales of eight of the lower-priced Cyto eNablers, up from an estimated two in 2008, and the sale of one production Nano eNabler priced at $300,000.

Sales of ancillary products and services should rise significantly. Warranty and installation revenue will just about double, tracking the gains in unit Nano eNabler sales. SPT sales should also rise as Nano eNabler utilization increases. By our estimates, sales of patterned surfaces, which were introduced in March, 2008, will also rise sharply, albeit off a small base. Due to a rise in unit system sales and higher sales of high-margin consumables, gross margin will rise to an estimated 48% from 42% the year before.

We project an 8% increase in 2009 operating expenses to $3.8 million. With the cost reduction measures of 2007 and 2008 having taken effect, expense reductions are not likely. Sales and marketing expenses are projected to rise 20% to $1.4 million, driven in part by the rise in sales. G&A will, by our estimates, drop by 1% as management maintains a watchful eye in this area. While R&D relating to the existing product line should continue to rise, any increases in 2009 should be largely offset by the transfer of technology and R&D resources to Aspera.

Our operating projections are based in part on the company’s ability to secure the additional financing we have forecasted, without which BioForce may have to curtail its sales/marketing and R&D activity.

Finances On November 17, 2008, the company sold a convertible secured promissory note and warrants to purchase common shares, par value $0.001 per share, at $0.08 per share in a private placement to FCPR SGAM AI Biotechnology Fund. The company sold two investment units at a price of $25,000 per unit, for $50,000 in

gross proceeds. Each unit consisted of $25,000 in face amount of the note and 31,250 five-year warrants to purchase one common share at an exercise price of $0.08 per share. The note has a twelve month term, bearing interest at 13.5% per annum, payable upon maturity. The note is convertible at any time at the holder's option into one share of common stock for each $0.08 of note principal, subject to adjustment. The holder also has the option of converting the note into any equity security, or debt security convertible into common stock, that is sold or issued by the company, at the price that such securities are sold in any future offering. The company has the option to force the holder to convert the note into any equity security, or debt security convertible into common stock that is sold or issued by the company, at the price that such securities are sold in that future offering, if that transaction or series of transaction results in the receipt by the company of at least $1,000,000 in proceeds from one or more investors.

In its 10-Q filing of November 14, 2008, the company stated that additional financing would likely be needed by November, 2008 in orders to meet obligations to vendors and employees, and to sustain operations. This financing should, by our estimates, satisfy the company's near-term cash needs.

At the levels of sales and expenses we have projected, cash burn should diminish very slightly in 2008 and more significantly in 2009. 2008 operations will burn an estimated $1.9 million in cash, roughly half of it recovered by a reduction in working capital needs. By our estimates additional financing, which we have modeled as convertible notes, will be necessary through 2009. Such financing, plus net proceeds from factoring, should cover projected cash needs for the balance of 2008 and enable the company to end the year with cash of $134,000.

In 2009, BioForce will burn an estimated $1.1 million, a third of which will be offset by reduced working capital needs. We have projected additional $560,000 in convertible debt issues in 2009. This projected new debt should provide sufficient cash to cover the needs that we have projected end enable the company to finish the year with cash of $200,000.

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, sales have yet to begin ramping to the extent that we believe is necessary to turn operations profitable within the next two years. In our view, annual Nano eNabler sales will have to ramp to around 50 to 60 units a year (vs. the 33 we project for 2009) in order to break even.

Continuing losses BioForce is projected to operate at a loss through 2009. Based on our operating projections, funding needs for the next two years will be substantial. But if revenue falls significantly short of our forecasts, losses, cash burn, and financing needs could be greater than we have anticipated. 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. The company will be reporting on the progress of efforts to correct these deficiencies in future reports.

Products in Development While we have not factored nanodiagnostics or other potential new products into our forecasts, BioForce's longer-term growth prospects also rest on these products. If progress toward 2009/2010 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 that 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. The company has approximately 19 million shares in the float. On average, approximately 7,500 shares are traded daily.

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.

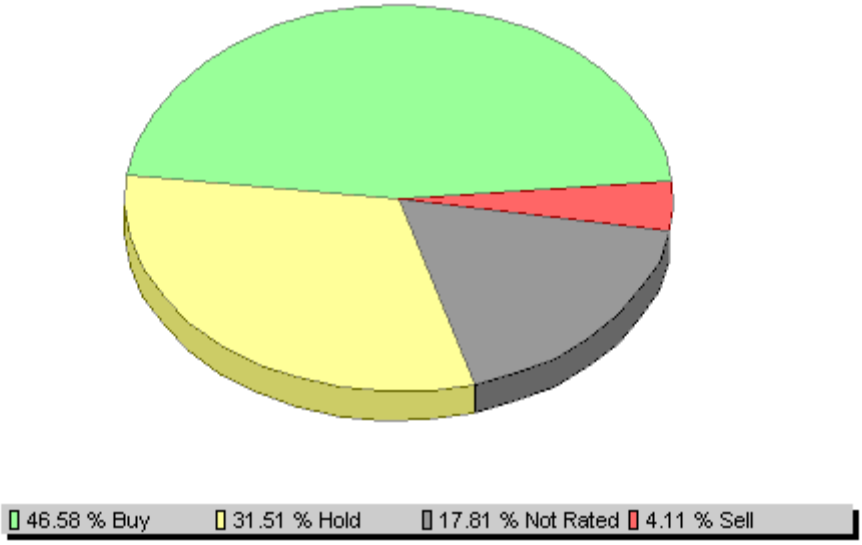
Investment Recommendation

We are maintaining coverage of BioForce Nanosciences Holdings (BFNH: OTC BB) with an investment rating of Speculative Buy but are reducing our 12-month price target to $0.25 from $0.35 per share to reflect the market's contraction during the past few months. In our view, uncertain longer-term acceptance of the Nano eNabler and the company's precarious finances make the stock suitable only for highly risk-tolerant accounts.

Capital IQ data on 68 stocks in the scientific and technical instruments sector with market capitalizations less than $250 million show an average price to (trailing) sales multiple (after discarding extreme highs) of 0.55X, vs. BioForce's 1.97X.

If sales growth momentum looks sustainable, we believe that within the next 12 months, BFNH could be accorded a valuation of around 3X estimated 2009 sales per share of $0.13, or $0.39 per share. To account for commercialization risks, we have discounted that figure by 40% to arrive at our 12-month price target of $0.25 per share, a target that implies a doubling of the stock price within the next 12 months.

Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0
Hold	1	7.14%
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.

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)

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to change in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research.

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, and will, starting one year after the publication of an initial research report, pay a monetary fee of US$2,000 per month for the continued creation and dissemination of research reports.

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
FY2005– FY2009E
($ Thousands)

	2005A	2006A	2007A	2008E	2009E
Revenues					
Sales	114	414	1,125	1,359	3,591
Consulting income	26	1			
Total	140	415	1,125	1,359	3,591
Cost of sales	117	199	601	789	1,869
Gross profit	23	216	524	570	1,722
Operating expenses					
R&D	1,198	839	1,146	1,164	1,140
Sales/marketing	244	733	1,232	1,131	1,350
G&A	798	2,029	2,494	1,491	1,470
Reimbursement - grant expenses	(361)	(240)	(552)	(317)	(200)
Total	1,879	3,362	4,319	3,469	3,760
Operating loss	(1,856)	(3,146)	(3,795)	(2,899)	(2,038)
Other					
Interest and other income	17	157	45	9	2
Gain on sale of equipment				44	
Debt forgiveness income			164		
Abandoned stock offering costs			(257)		
Interest expense	(254)	(984)	(12)	(204)	(311)
Net loss	(2,092)	(3,974)	(3,762)	(3,049)	(2,346)
Preferred dividends			156	30	40
Net loss to common shareholders			(3,918)	(3,079)	(2,386)
Avg shares outstanding	11,092	24,000	24,214	25,260	27,679
Loss per share	(0.19)	(0.17)	(0.16)	(0.12)	(0.08)

Source: Company reports and Taglich Brothers estimates

BioForce Nanoscience Holdings
Quarterly Income Statements
FY2008 – FY2009E
($ Thousands)

	2008					2009				
	1QA	2QA	3QA	4QE	**2008E**	1QE	2QE	3QE	4QE	**2009E**
Sales	404	212	241	503	**1,359**	640	815	833	1,303	**3,591**
Cost of sales	214	161	137	277	**789**	352	428	437	652	**1,869**
Gross profit	189	50	104	226	**570**	288	387	396	652	**1,722**
Operating expenses										
R&D	298	306	294	265	**1,164**	270	280	290	300	**1,140**
Sales/marketing	290	295	221	325	**1,131**	325	325	350	350	**1,350**
G&A	443	353	335	360	**1,491**	365	365	370	370	**1,470**
Reimbursement - grants	(100)	(65)	(102)	(50)	**(317)**	(50)	(50)	(50)	(50)	**(200)**
Total	931	889	748	900	**3,469**	910	920	960	970	**3,760**
Operating loss	(742)	(839)	(645)	(674)	**(2,899)**	(622)	(533)	(564)	(319)	**(2,038)**
Other										
Interest and other income	2	6	0	1	**9**	1	0	0	1	**2**
Gain on equipment sale			44		**44**					
Debt forgiveness income										
Abandoned stock offering costs										
Interest expense	(6)	(53)	(60)	(86)	**(204)**	(124)	(93)	(62)	(31)	**(311)**
Net loss	(746)	(885)	(660)	(759)	**(3,049)**	(745)	(626)	(626)	(349)	**(2,346)**
Preferred dividends		10	10	10	**30**	10	10	10	10	**40**
Net loss on common stock	(746)	(895)	(670)	(769)	**(3,079)**	(755)	(636)	(636)	(359)	**(2,386)**
Avg shares outstanding	25,114	25,116	25,154	25,654	**25,260**	25,954	26,954	28,254	29,554	**27,679**
Loss to common shareholders	(0.03)	(0.04)	(0.03)	(0.03)	**(0.12)**	(0.03)	(0.02)	(0.02)	(0.01)	**(0.08)**

Source: Company reports and Taglich Brothers estimates

BioForce Nanoscience Holdings
Balance Sheets
FY2005 – FY2009E
($ Thousands)

	2005A	2006A	2007A	3Q08A	2008E	2009E
A S S E T S						
Current assets						
Cash + equivalents	363	2,603	269	12	134	200
Accts rec	9	22	314	269	113	299
Accts rec - factoring						
Inventory		1,194	1,047	769	607	1,437
Prepayments & other	9	55	146	77	68	180
Total	381	3,874	1,775	1,127	922	2,116
Fixed assets	587	538	584	375	466	256
Intangibles	455	649	732	675	969	1,120
Long-term receivables				21		
Investment in Aspera Corp.				0		
Total assets	1,422	5,061	3,091	2,197	2,357	3,492
L I A B I L I T I E S / E Q U I T Y						
Current liabilities						
Accts pay	89	506	305	506	658	1,557
Accruals	191	193	242	321	272	718
Recourse obligation - invoice factoring				151	151	151
Accrued dividends on A			13	10	20	20
Conv secured notes				488	540	1,100
Deferred revenue		9	54	32	48	126
Note pay - curr	878	132	89	80	131	90
Total	1,159	840	703	1,588	1,818	3,762
Long-term debt	172	279	155	115	43	40
Shareholders' equity	91	3,942	2,233	495	496	(310)
Total liabilities and shareholders' equity	1,422	5,061	3,091	2,197	2,357	3,492

Source: Company reports and Taglich Brothers estimates

BioForce Nanoscience Holdings
Cash Flow Statements
FY2005 – FY2009E
($ Thousands)

	2005A	2006A	2007A	3Q08A (quarter only)	2008E	2009E
Cash f rom operating activities						
Net loss	(2,092)	(3,974)	(3,854)	(660)	(3,049)	(2,346)
Depreciation/amortization	173	203	258	62	260	279
Stock based compensation		903	1,086	104	656	1,000
Patent/trademark abandonment				125	125	
Interest exp - conversion option				0	29	
Interest exp - issuance discount				40	47	
Gain on sale of fixed assets				44	44	
Debt forgiveness income			(164)			
Abandoned stock offering costs			257			
Interest - beneficial debt conversion	209	947				
Changes in working capital	122	(734)	(330)	(157)	1,104	296
Net from operating activities	(1,589)	(2,655)	(2,748)	(442)	(784)	(771)
Cash from investing activities						
Capital expenditures	(347)	(126)	(265)	(4)	(38)	(40)
Patents and trademarks	(139)	(222)	(121)	(28)	(109)	(40)
Investment in Aspera Corp.				(0)	(0)	
Total from investing	(486)	(348)	(386)	(32)	(146)	(80)
Cash from financing activities						
Issuance of long-term debt	1,350		68			
Payments on long-term debt	(1)	(37)	(71)		(62)	(43)
Proceeds from factoring				492	492	
Payment on factoring				(342)	(342)	
Proceeds from conv notes				441	493	560
Isssuance of preferred stock			142		0	
Issuance of warrants			219	70	239	400
Exercise of warrants			455			
Preferred dividends			(13)	(10)	(30)	
Deferred stock offering costs				(5)	(25)	
Proceeds - equip leaseback/sale					31	
Issuance of common stock	590	5,280	0			
Total from financing	1,939	5,243	800	647	796	917
Net change in cash	(136)	2,240	(2,334)	172	(134)	66
Cash - beginning	499	363	2,603	(160)	269	134
Cash - ending	363	2,603	269	12	134	200

Source: Company reports and Taglich Brothers estimates