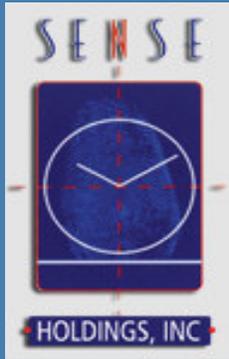


BEACON EQUITY RESEARCH



November 16, 2005
Analyst: Shailesh Dhuri, CFA



Financial Summary

SYMBOL EXCHANGE	SEHO OTCBB
CURRENT PRICE	\$0.34
SHARES OUTSTANDING	33.45 MILLION
COVERAGE INITIATED	October 14, 2005
RATING	Outperform
PRICE TARGET	\$0.75
MARKET CAP	\$11.7 MILLION
52-WEEK RANGE	\$0.14- \$0.42
AVERAGE 30-DAY VOLUME	178,893



Company Background

Sense Holdings, Inc. (OTC BB: SEHO), was incorporated in July, 1998 and is located in Florida. The Company is active in the area of biometric and micro-sensor identification systems and targets the Homeland Security market by offering products that are used to secure military installations, business and personal facilities, assets and information. The Company's security solutions are cost-effective and can be easily integrated with the enterprise-wide systems that its large corporate customers utilize. The Company is also developing products and applications for Internet security, web-based processes and transaction processing.

Recently, Sense Holdings was awarded contracts from two Fortune 100 companies for deployment of biometric security solutions. At the current stage of its business, Sense Holdings is seeking to raise adequate capital funding to sustain its future growth prospects and long-term operating needs. The Company has the potential to become a leader in its industry, and the additional funding will strengthen the Company's position in the otherwise fragmented industry for biometric identification devices and systems. The Company feels confident that its objectives can be achieved due to the substantial portfolio of intellectual property and patents owned by the Company.



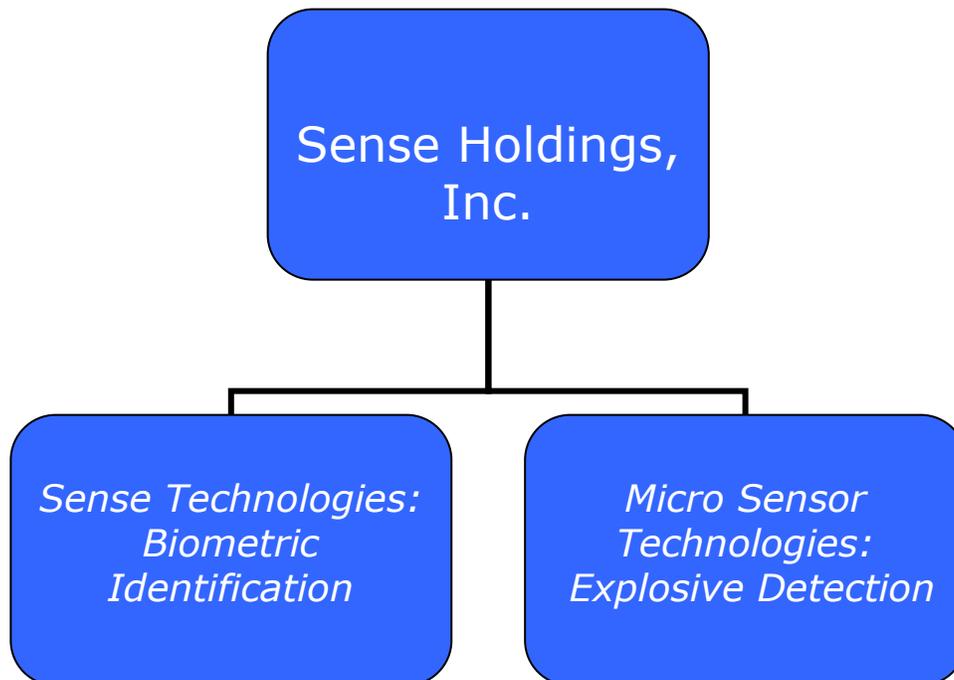
Description of Sense Holdings, Inc.

As of June 30, 2005, Sense Holdings had a staff of six full-time employees. Its current manufacturing capacity is approximately 200 units per month.

The Company has two wholly-owned subsidiaries:

- **Sense Technologies, Inc.** – A manufacturer of biometrically secured authentication and identification systems. Sense Technologies integrates advanced biometric and micro-electro-mechanical sensor (MEMS) technology into mechanical and electronic control devices that improve and secure many business processes.
- **Micro Sensor Technologies, Inc. (MSTI)** – A micro-sensor explosives detection research and development organization. MSTI holds patents and intellectual property that enable the detection, authentication and identification of explosive devices. The highly specialized sector of explosive detection devices has strong growth prospects for the future and Sense Holdings is investing heavily in development of new devices for this market.

Figure 1: Subsidiaries of Sense Holdings, Inc.





Recent Developments

The Company recently entered into a joint development agreement with Oak Ridge National Laboratory (ORNL), a US government agency, to develop next-generation handheld explosive detectors that would cost around 20% of the price of current products in the market. As per the agreement, Sense Holdings will commit a total of \$1.1 million to fund the product's development. In addition, a group of US agencies have also committed about \$10 million to ORNL, which will further strengthen the product's development.

Key Features of the Agreement:

1. Sharing of development costs
2. World-wide exclusive marketing rights
3. Quick turnaround expected
4. Product cost 20% of existing products
5. Low weight portable device planned
6. Highly effective instrument expected
7. Product with multiple applications

The joint agreement with ORNL will enhance the Company's mission to provide cutting-edge, miniaturized, cost-effective, and superior explosive and chemical detection systems for government and commercial markets. The new device is expected to be introduced into the market by mid 2006 and is based upon microcantilever technology. The device is expected to be of the size of a cell phone and weigh approximately two pounds. The Company anticipates that future generations of the detector will subsequently be expanded to include chemical warfare agents, biological warfare agents and narcotics. Sense Holdings owns exclusive worldwide marketing rights for this patented technology regarding all security applications. The product will be commercially applicable in a number of security market segments, including customs, law enforcement and border patrol, as well as other public and private markets. The product will compete with solutions produced by GE Interlogix, OSI Rapsican, Scientex and Isonics, along with other widely used methods of detections such as K-9 units, infrared, etc.

The Company also formed a Scientific and Security Advisory board to accelerate its strategic business initiatives in order to increase revenues in the Homeland Security market. The board includes six members with varied experience in homeland security and related technology. Among the initiatives being undertaken in the Homeland Security market is the development of a portfolio of next-generation homeland security technologies which includes biometric security systems, explosive detection, and screening devices for use at airports and other venues.

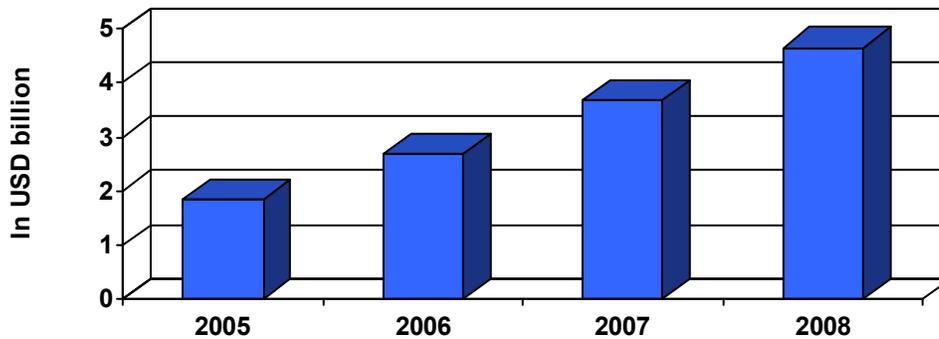


Industry Analysis

According to the International Biometrics Industry Association, the market for biometric based integrated security technologies is projected to reach about \$2 billion in 2005 and \$4 billion by 2006 with an annual growth rate of around 25% in subsequent years, with physical security and device sales driving much of the growth.

The following exhibit highlights consolidated projected annual revenue projections from 2005 through 2008 for the eight leading biometric technologies (including multimodal biometrics), the seven leading biometric applications, and the five leading biometric verticals.

Figure 1: Total Biometric Revenue Projection

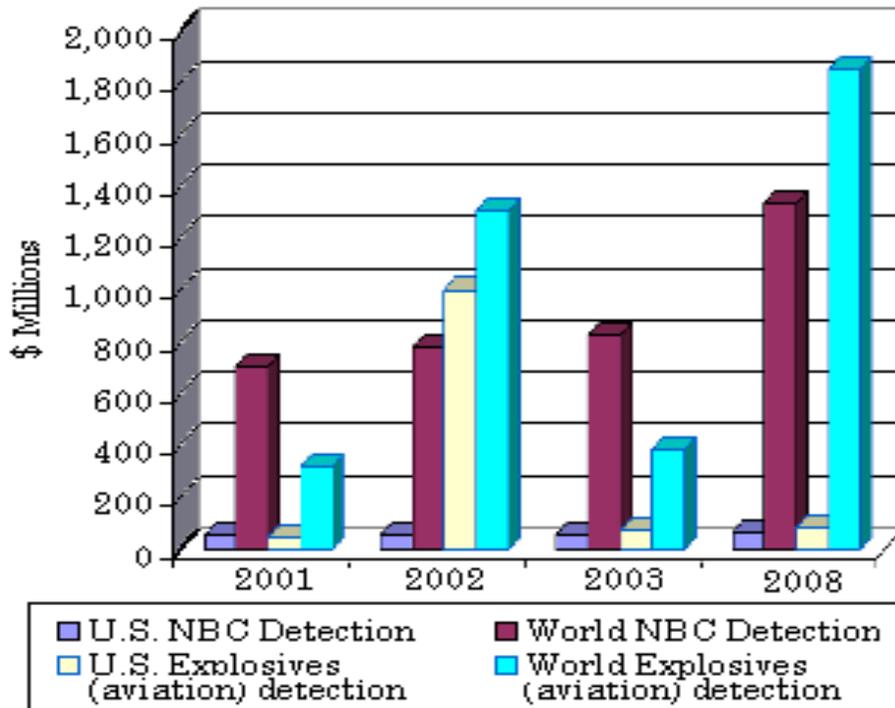


Source: Biometrics Market and Industry Report 2004-2008 (Publisher: International Biometric Group)

The total worldwide market for nuclear hazards, biological, chemical (NBC) and explosives detection is expected to grow at an average annual growth rate of 21.4% to reach approximately \$3.2 billion by 2008. The US market is expected to reach \$143 million by 2008. (Source: <http://www.bccresearch.com/safety/C220.html>). The following figure highlights the above:



Figure 2: US and World Demand for NBC and Explosive Detection Technology, 2001-2008



Source: <http://www.bccresearch.com/safety/C220.html>

From the above figure, it can be seen that Sense Holdings is well positioned within two multi-billion dollar markets and will have access to considerable revenue generation and growth opportunities.

It is a well known fact that the growing concerns over security and individual privacy are influencing the growth of the Homeland Security market. With the recent passage of the Federal Real ID Act, the Department of Homeland Security has been granted authority to redesign a uniform state ID card and driver license that may include, among other things, biometric information such as DNA data, retinal scans, and fingerprints.

In addition, biometric authentication technology has applications in the global healthcare market. Companies like Identix Inc. (NASDAQ: IDNX) and Sense Holdings have recently announced successful deployment of biometric-based solutions for major healthcare institutions. The Company deployed the biometrics-based healthcare benefits administration solution, CheckPrint Healthcare Administrator (CPHA), at Cuidamed International, a major healthcare company in Venezuela. The solution can address a wide range of issues, and its applications can meet the needs of US and global customers across many industries.



Conclusion

Sense Holdings has a substantial portfolio of intellectual property, including several patents and its focus on proprietary software provides an opportunity to significantly increase its market share. The Company seeks to increase revenue through expansion of its enterprise level customer base, redeploying customer applications and developing strategic alliances.



In addition, the development of an innovative handheld explosives detection technology (scheduled for release is mid 2006) through the partnership with ORNL will generate additional revenue and better position the Company for future growth.

As of July 30, 2005, Sense Holdings has spent approximately \$1.6 million on research and development activities. The Company's focus on R&D should assist the Company as it continues to launch innovative products into the marketplace. In addition, the Company has large organizations such as American Airlines and Federal Express as its main clients from which it draws a large portion of its current revenues. We believe that the ability to manage complex relationships with such global customers is one of the key success drivers which will differentiate Sense Holdings from competing biometric companies.



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Jefferey Lawrence, CFA - Senior Analyst

Mr. Lawrence has extensive experience in many aspects of capital markets including analysis and trading of fixed income, equity, and derivative instruments. Currently employed at a major North American financial institution, he sits on various corporate committees including the Economics Committee, Strategic Steering Committee, and Editorial Board. His employment history includes both analyst and management roles at large financial institutions as well as technology start-ups. Jeff has also been a guest lecturer for an MBA finance course and is a CFA charterholder.

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