

July 2008

Dear Investors and Friends,

We're pleased to provide our monthly update for the firm:

[BayStar Capital III Investment VirtualScopics \(NASDAQ: VSCP\) Introduces New Guarantee to Capture Additional Market Share](#)

[BayStar Capital III Investment VirtualScopics Backlog Exceeds a Record \\$20 Million](#)

[Dell, Inc. \(NASDAQ:DELL\) Partnership with BayStar Capital III Investment GlassHouse to Help Simplify Storage Management and Data Protection](#)

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BAYSTAR CAPITAL III FUND INVESTMENTS:

- **VirtualScopics (NASDAQ: VSCP) Introduces New Guarantee to Capture Additional Market Share**

VirtualScopics, a leading provider of quantitative imaging for clinical trials, introduced a service guarantee for new oncology clinical trial projects. The guarantee, the first of its kind in the industry, is called the "VirtualScopics Promise" and will provide its customers with quality on-time data or the analysis fee will not be charged. The company is able to offer this commitment due to the inherent quality and productivity benefits allowed by its algorithm-based approach to imaging in clinical trials.

- **VirtualScopics (NASDAQ: VSCP) Backlog Exceeds a Record \$20 Million**

VirtualScopics announced on July 15, 2008 that their backlog currently exceeds \$20 million as compared to \$9.3M a year ago. This dramatic increase is one of the "best indicators of the acceptance and demand in the marketplace" for these services as stated by CEO Jeff Markin. Included in this backlog is approximately \$11 million in 2008 project awards and expansions to current studies which compares to approximately \$5.7 million for the same period in 2007.

In September 2007, the Fund invested in VirtualScopics with the following terms:

- Protected base return of 8%
- Convertible at \$1.20 a share; 60% warrants

- **Dell Inc. (NASDAQ: DELL) Partnership with Glasshouse Technologies to Help Simplify Storage Management and Data Protection**

Dell Inc. in partnership with GlassHouse Technologies, a global provider of independent IT infrastructure consulting and services, will plan, design and implement IT disaster recovery plans to help the people, process and tools to restore IT operations in the event of a crisis. Dell will simplify the management of heterogeneous backup environments by providing managed backup, remote backup monitoring and reporting.

- **GlassHouse Technologies Named to List of Top 200 Private Technology Companies**

GlassHouse Technologies has been honored as a top private technology company by Nollenberger Capital Partners, Inc. (NCPI). Based on proprietary and industry-wide analysis, NCPI's Investment Banking team selected 200 private Technology companies that it believes will achieve a liquidity event or raise capital at an uptick valuation in the next 12 to 36 months.

In July 2007, The Fund invested in Glasshouse with the following terms:

- Protected base return of 12% (9.75%% coupon + fees); 36 month term
- Convertible at 20% discount to IPO; 22.5% warrants for six years provide additional upside
- Subordinate to senior debt

LRG Capital's Affiliate Arque Orion Announces Investment in IA Global (AMEX: IAO) and Taicom Securities

IA Global, Inc announced a 20% equity investment in Taicom Securities Co Ltd, a Japanese securities firm, which contributed to an increase in IA Global's stockholders equity by approximately \$14 million as of June 30, 2008. Presently, the relationship between Taicom and its majority stockholder, Arque Orion CEO Michael Ning, who is also an existing shareholder in IA Global, is consistent with the company's focus on acquiring and developing high margin service delivery companies operating the Asia Pacific Region.

Taicom will provide valuable assistance to IA Global by expanding its shareholder base in Japan and Northern Asia, enhancing IA Global's investor relations, and assisting with fund raising activities in Asian markets. Taicom's business model is to acquire outdated and/or distressed investment brokerage businesses, improve operations by introducing new and proven wealth management business models from the United States, and consolidate operations when tactically feasible. Taicom currently operates in Japan and is expanding operations into the United States. Such plans will enhance strategic relationships with third-party investment brokerages operating in emerging countries as well as acquisitions to create additional sales, operational and marketing synergies.

LRG Capital Launches LRG Capital Report Blog

LRG Capital has officially launched the LRG Capital Report written by CEO Lawrence Goldfarb. The blog provides commentary and opinions on trends and current news in capital markets. To visit the LRG Capital Report, please click [here](#) or visit www.lrgcapitalreport.com. This week's post is titled: "When in Doubt, Blame the Accountants."

Lawrence Goldfarb Partners in the Creation of a Non-profit Organization to Benefit Children and Young Adults with Diabetes

LRG Capital's CEO Lawrence Goldfarb partners with screenwriter and author Rocky Lang to form The Joe Toucan Diabetes Project, an organization focused on researching, producing and developing empowering project, supplies and accessories that will benefit both children and young adults living with diabetes. For more information, please visit: www.joetoucandiabetesproject.com

All of our partnerships are driving new investment opportunities and strong strategic and financial co-investors to the firm. Our success is closely associated with your continued support and investments.

For more information, visit www.lrgcapital.com or contact Alexis Banducci at: abanducci@lrgcap.com or 415.834.4664

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