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**BayStar Capital III Investment Fund, L.P. agrees to provide up to \$16 Million to GlassHouse Technologies, Inc., a leading independent IT infrastructure services company**

**Larkspur, Calif., August 29, 2007** -- LRG Capital Group, LLC, a global merchant bank and general partner of the BayStar Capital III Investment Fund, L.P., announced today that BayStar Capital III has entered into an agreement to provide up to \$16 Million in subordinated, convertible debt financing to GlassHouse Technologies, Inc. ("GlassHouse"), a Massachusetts based IT infrastructure consulting company. Velocity Capital Group and Leader Ventures are co-investors in the transaction. The structure is a subordinated, convertible debenture, designed to provide equity-like capital while minimizing incremental dilution.

An initial advance of \$6 Million was funded immediately and the proceeds were used to fund GlassHouse's acquisition of RapidApp, a Chicago-based server virtualization consulting company. RapidApp, founded in 1999, assists in the design and deployment of some of the largest computing infrastructures in the United States, including server virtualization and projects and the virtual infrastructure that supports them.

"The growth in the server virtualization business and the success of companies such as VMware (NYSE: VMW) clearly validates GlassHouse's strategy to acquire an established player such as RapidApp. This financing was a creative solution for a blue-chip company such as GlassHouse to strategically expand its business without issuing additional equity", said Lawrence "Larry" Goldfarb, CEO of LRG Capital Group and Portfolio Manager of BayStar Capital III.

GlassHouse is an independent IT infrastructure consulting and services firm focused on transforming IT environments. TransomSM, GlassHouse's proprietary methodology, aligns business processes and information technology systems, transforming clients existing infrastructures into scalable, compliant, cost-effective and tightly organized service providers. GlassHouse is backed by several leading Venture Capital firms, including Sigma Partners, Kodiak Venture Partners, Globespan Capital Partners, Grandbanks Capital and Paladin Capital Group.

"We're excited to continue our growth, both organically and through accretive acquisitions such as RapidApp. LRG Capital Group and BayStar Capital III's flexible financing facility helped us make this acquisition, which we expect will dramatically grow our virtualization services business," said Mark Shirman, GlassHouse's CEO.

**About LRG Capital Group**

LRG Capital Group ([www.lrgcapital.com](http://www.lrgcapital.com)) is a global investment, banking and advisory boutique that focuses on public and private companies in the technology, life sciences, hospitality, real estate and entertainment sectors. Founded by Lawrence Goldfarb, the firm provides capital via private equity, commercial loans and structured debt financing, and guides and advises clients on mergers and acquisitions, corporate finance and other strategic alternatives. Based in San Francisco with offices in New York, LRG Capital excels at relationship-focused guidance and financing.

LRG Capital Group is also the investment manager for the BayStar Capital III Investment Fund, L.P., which makes direct investments in public and private companies using a wide range of structured debt and preferred securities convertible or exchangeable into a company's underlying equity. BayStar Capital III combines successful equity investing expertise with proven structured debt strategies. Additionally, LRG Capital Group invests in and owns various entertainment interests and U.S. and non-U.S. real estate assets, including derivative interests in real estate securities and real estate development projects and properties.

## About GlassHouse

GlassHouse Technologies is an independent IT infrastructure consulting and services firm focused on transforming IT environments. TransomSM, GlassHouse's proprietary methodology, aligns business processes and information technology systems, transforming its clients' existing infrastructures into scalable, compliant, cost-efficient and tightly organized service providers. Whether focused on data centers, data infrastructure or managed services, GlassHouse consultants architect, implement and operate IT environments to drive high performance and agility. GlassHouse clients include Morgan Stanley, State Street Global Advisors, Allianz, AIG, Tel Aviv University, Reed Elsevier, Zamil Steel, Amgen, Biogen, Turk Telekom, Virgin Atlantic, and Israeli Defense Forces.

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