
Baystar Capital III Investment Fund, L.P. Invests in VirtualScopics, a Premier Provider of Next Generation Imaging Solutions to the Biotechnology and Pharmaceutical Industries

Larkspur, Calif., September 17, 2007 -- LRG Capital Group, LLC ("LRG"), a global merchant bank and manager of the BayStar Capital III ("BayStar"), announced today that it has invested in VirtualScopics (Nasdaq:VSCP), a premier provider of quantitative image-based solutions for clinical trials. Roswell Capital Partners, LLC and Gemini Strategies, LLC were co-investors in the transaction. The structure is convertible preferred equity, designed to provide growth capital to help the company expand its business. Existing investors in VirtualScopics include Pfizer, Inc., GE Healthcare, and the University of Rochester.

"VirtualScopics has developed state-of-the-art software which is a leap over legacy imaging solutions for clinical trials," said Lawrence 'Larry' Goldfarb, CEO of LRG Capital Group and portfolio manager of the BayStar Funds. "Ten of the top fifteen pharmaceutical and biotechnology companies are turning to VirtualScopics to reduce the costs and time required to conduct clinical trials. We're excited to partner with the company to help it grow its marketing and sales efforts."

VirtualScopics is the leading developer of image-related biomarkers as well as the premier provider of innovative imaging solutions utilizing biomarkers for pharmaceutical development, clinical trials, and medical device development. The company provides services to the pharmaceutical, biotechnology, and medical device industries for oncology, rheumatoid arthritis, osteoarthritis, neurology, and cardiovascular studies.

Jeff Markin, CEO of VirtualScopics, stated that the investment would allow the company to accelerate its growth along the clinical trial value chain. "The investment by LRG Capital Group and BayStar Capital III, alongside its co-investors, will allow us to expand our services and reach to leading pharmaceutical and biotechnology companies," he said. "We plan to expand our sales force both domestically and globally, as well as continue to grow our relationships with our existing clients and strategic partners."

About LRG Capital Group

LRG Capital Group (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 VirtualScopics, Inc.

VirtualScopics, Inc. is a provider of advanced medical image analysis services. The company evolved from research first carried out at the University of Rochester Medical Center and School of Engineering. VirtualScopics has created a suite of image analysis tools used in detecting and analyzing specific structures in volumetric medical images, as well as characterizing minute changes in structures over time, providing vital

information to support clinical trials and diagnostic applications. The firm's proprietary software algorithms can assemble hundreds of separate medical images taken during an MRI session into a single, three-dimensional model, bringing a new and previously unobtainable source of data to clinical researchers. For more information about VirtualScopics, visit www.virtualscopics.com.

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