



September 2008

Dear Investors and Friends,

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

LRG Capital Funds (formerly the BayStar Capital Funds):

[LRG Capital Real Estate Partners I Fund Launched and First Acquisition Announced](#)

[BayStar Capital III Investment VirtualScopics \(NASDAQ: VSCP\) Second Quarter Results Rose 20% Over 2007](#)

LRG Capital Group:

[LRG Capital Corporate Advisory Group Selected as Advisor to The Margarita King](#)

[LRG Capital Corporate Advisory Group Named as Advisor to Margaritaville Holdings](#)

[LRG Capital CEO Lawrence Goldfarb Scheduled to Speak at Trade Tech West Conference September 17](#)

[LRG Capital Challenges Community to Support Homeward Bound of Marin in Olympic Challenge](#)

[LRG Capital Report Continues to Provide Insightful Commentary on Capital Markets](#)

[LRG Capital Real Estate Partners I Fund Launched and First Acquisition Announced](#)

LRG Capital Real Estate Ventures has launched the LRG Capital Real Estate Partners I Fund and announced the closing of the Fund's first investment. The Fund will primarily make direct, intermediate term equity investments in commercial properties located in or near California's premier cities and, to a lesser extent, development and rehabilitation projects for office, retail, multi-family, industrial and mixed-use properties.

The Fund's first acquisition is a commercial office building located at 384 Bel Marin Keys Boulevard in Novato, California, just minutes away from US Highway 101. The carefully maintained class B office building is located on a .91 acre lot in the heart of bucolic Marin County. The two story structure has been completely renovated and comprises 26,760 square feet of offices, 70 parking spaces and manicured grounds. The property is 90 percent occupied and has a solid tenant base including McKesson Healthcare as the anchor tenant.

The LRG Capital Real Estate Partners I Fund is co-managed by LRG Capital executives and two prominent real estate professionals. Evan Kraus, Executive Vice President of LRG Capital Group and Lawrence Goldfarb, CEO of LRG Capital Group will partner with Geoffrey Koblick, a seasoned real estate investor who has been active in California commercial real estate for over 23 years, and Richard Hall, a respected real estate manager and investor who has been active in commercial real estate since 1999. The creation of the Fund brings together the partners' extensive collective expertise in real estate investment, finance and operations.

"We're pleased that the Fund's first purchase is in a highly desirable and rapidly growing area at a price well below replacement cost," said Lawrence Goldfarb, CEO of LRG Capital Group. "This well-leased property benefits from a long history of stability and provides both cash flow and capital appreciation."

The property will join 2 other assets in the LRG Capital Real Estate Partners I Fund's portfolio 220 Canal Street, San Rafael, California and 125 E. Sir Francis Drake Boulevard, Larkspur, California.

For more information contact: Alexis Banducci, Marketing Manager at abanducci@lrgcap.com or 415.834.4664

[BayStar Capital III Investment VirtualScopics \(NASDAQ: VSCP\) Second Quarter Results Rose 20% Over 2007](#)

VirtualScopics (NASDAQ: VSCP), a leading provider of quantitative imaging for clinical trials, announced that Q2 2008 revenues have increased 20% over the comparable period for 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

LRG Capital Corporate Advisory Group Selected as Advisor to The Margarita King

LRG Capital Corporate Advisory Group has been selected as an advisor to The Margarita King (www.themargaritaking.com). The Margarita King produces a unique, top quality product that has been recognized as a three time gold medal winner from the Beverage Testing Institute.

LRG Capital Corporate Advisory Group Named as Advisor to Margaritaville Holdings

LRG Capital Corporate Advisory Group will be providing advisory services to Margaritaville Holdings, LLC. The company, owned by renowned singer Jimmy Buffet, is a chain of restaurants and stores providing Margaritaville and Jimmy Buffet themed products.

LRG Capital CEO Lawrence Goldfarb Scheduled to Speak at Trade Tech West Conference September 17

Lawrence Goldfarb, LRG Capital's CEO and Portfolio Manager of the LRG Capital Funds (formerly the BayStar Capital Funds), is scheduled to speak at the annual Trade Tech West Summit at 12:50pm on September 17, 2008. The topic is "*Best Practices for Integrating Your Trading Process into Your Portfolio Management.*" Please visit the event's website for more information: <http://www.wbresearch.com/tradetechwest/index.asp>.

LRG Capital Challenges Community to Support Homeward Bound of Marin in Olympic Challenge

Beginning with the start of the Olympics in Beijing and continuing until October, LRG Capital issued an Olympic Challenge to businesses to support Homeward Bound of Marin's Next Key Center. Homeward Bound is the chief provider of transitional and long-term housing and support services for homeless people in Marin County. The Next Key Center will provide transitional housing as well as a job training facility, including an expanded kitchen for the Fresh Starts Culinary Academy. For more information please visit, www.hbofm.org and join the race to the finish line!

LRG Capital Report Continues to Provide Insightful Commentary on Capital Markets

To visit the LRG Capital Report, please click [here](#) or visit www.lrgcapitalreport.com. This week's post is titled: "Bravo Nouriel Roubini! It's better to be smart than popular: Is this the end of the American Empire?."

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

*This document should not be considered a solicitation for investment into any fund managed by LRG Capital Group, LLC (LRG Capital), Admiral Capital Management, LLC (Admiral), or Signature Group (Signature), including but not limited to, the BayStar Capital III Fund, LRG Capital Real Estate Partners I Fund, LRG Capital/Admiral Flagship Fund, and the LRG Capital/Signature Momentum Fund. Interested and qualified investors should refer to the appropriate offering memorandum for more complete information, including risks, management fees and expenses. Investments in hedge or private equity funds are investments that entail substantial risk and are not intended as a complete investment program. The LRG Capital funds are designed only for sophisticated investors who are able to bear the economic risk of losing all of their investment. Opinions expressed in this newsletter are current opinions as of the date appearing in this material only. All performance information shown is net of an annual management fee and an annual performance fee payable to LRG Capital or an affiliate. All performance reflects the reinvestment of dividends (if any) and other investment income. Past performance is not necessarily indicative of future results.