

HIGHLIGHTS

HIGHLAND

CAPITAL PARTNERS



STRATEGY

- We back great teams and great people.
 - We invest globally in big ideas that address large and expanding markets.
 - We focus by industry and possess strong cross-sector expertise in communications, consumer, digital media, healthcare and information technology.
 - We invest at all stages of company growth, from seed capital through later stage.
 - We leverage our experience, network and relationships, and pride ourselves in being a value-added partner.
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Dear Friends,

2008 marks Highland's 20th Anniversary. We have been privileged over this time to work with extraordinary people, pursuing ambitious aspirations, and building great companies. And the most exciting part of it all? There are even greater opportunities today than at any time in the past.

At the root of these opportunities is the seemingly accelerating pace of technological change. This is compounded by development of new business models. We continue to look to partner with executives who bring together the understanding of technologies with the ability to rapidly build global businesses around them. We look to engage actively with leadership teams, serving on the boards of directors of almost all our companies. We work hard to deliver competitive advantage and build value in each of our companies, across all the sectors on which we focus: communications and technology, Internet and digital media, healthcare, and consumer.

Just as our portfolio companies grow, we ourselves are expanding. In 2007, we opened offices in both Shanghai and Geneva (the latter serving all of Europe). Our Silicon Valley team moved to larger office space in Menlo Park. We closed our first affiliate fund, the \$300M Highland Consumer Fund. This fund focuses on consumer and retail teams seeking growth capital and an investing partner with deep expertise.

In 2007 we invested in 14 new companies, committing \$240M in capital. Our investments spanned everything from seed companies still in stealth mode, to buyouts of established, fast growing, businesses. Three of our companies successfully completed Initial Public Offerings in 2007 – Helicos BioSciences, lululemon athletica and Starent Networks. Three of our other companies were acquired; most notably Quigo Technologies by AOL-Time Warner.

We hope you find the following a useful overview of who we are and what we do. We welcome the opportunity to discuss your company's growth plans with you.

Sincerely,

The Highland Team

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RECENT IPO AND M&A ACTIVITY

PUBLIC OFFERINGS



Helicos BioSciences (NASDAQ: HLCS) is a life science company focused on innovative genetic analysis technologies for the research, drug discovery, and diagnostic markets. Helicos' proprietary True Single Molecule Sequencing, tSMS™, technology allows direct measurement of billions of strands of DNA enabling scientists to perform experiments and ask questions never before possible.



lululemon athletica (NASDAQ: LULU; TSX:LLL) is a yoga-inspired athletic apparel company that creates technical fabrics with functional designs for people to live longer, healthier and more fun lives. By producing products that keep people active and stress free, lululemon believes that the world will be a better place.



Starent Networks (NASDAQ: STAR) is a leading provider of infrastructure solutions that enable mobile operators to provide multimedia services to their customers, such as video downloads or streaming, Internet access, voice-over-IP, e-mail, mobile TV, video and photo sharing, gaming, and others.



VistaPrint (NASDAQ: VPRT) is the leading online supplier of high-quality graphic design services and customized printed products to small businesses and consumers. Over 12 million unique customers have turned to VistaPrint for products ranging from business cards and brochures to invitations and thank you cards.

MERGERS AND ACQUISITIONS



Amp Resources (acquired by Enel) was the owner of one operating and four advanced stage geothermal development projects located in Nevada, California, and Utah. The four projects, once fully developed, were expected to generate enough renewable power for over 100,000 average U.S. households annually.



Conor Medsystems (acquired by Johnson & Johnson) is a developer of innovative controlled vascular drug delivery technologies. Conor is seeking to capitalize on the full therapeutic potential of drug-eluting stents through the development of a stent specifically designed for drug delivery.



Quigo Technologies (acquired by AOL) provided a suite of innovative, performance marketing solutions for advertisers and premium publishers through offering scalable, technology-driven services to help leading e-commerce and directory sites drive traffic, acquire new customers, and generate sales and profits.



WordWave (acquired by Merrill Corporation) specialized in capturing, disseminating and analyzing vital information in the areas of litigation support, captioning and subtitling, and digital transcription and recording.

NEW INVESTMENTS



CCTV has purchased the exclusive rights to operate wireless communications services for a designated portion of radio spectrum.



City Sports is a specialty sports retailer stressing performance selection in footwear, apparel and equipment for the athletic, metropolitan adult.



Desktonet turns desktops into virtualized network services that deliver a better user experience with massive scalability, simple centralized management and dramatically lower TCO.



Glasses Direct is revolutionizing the way people buy eyeglasses by allowing customers to purchase them online, over the telephone or by mail order with their personalized prescription at cost-saving prices.



Guitar Center is the leading retailer of guitars, amplifiers, percussion instruments, keyboards and pro-audio and recording equipment, operating more than 210 stores across the U.S.



Hangout Industries is an early stage consumer startup that is marrying the community aspects of social networks with virtual reality to create a new level of user experience and social interaction on the web.



Harrah's Entertainment is the world's largest provider of branded casino entertainment, owning or managing casino resorts on four continents.



Hyperion Therapeutics develops specialty pharmaceuticals focused in the gastrointestinal hepatology therapeutic areas.



Metacafe is one of the world's largest video sites, combining a large global audience, significant rewards for producers and a community panel to ensure the best videos get noticed.



Movik is a network infrastructure company developing a mobile caching solution for enabling carriers to deliver a high-quality broadband mobile data experience.



O Beverages makes water with flavor and purpose – no artificial sweeteners, no phony coloring, no plain-water boredom.



Ocarina Networks is solving the problem of out of control data storage growth by building high-performance storage and network subsystems.



Old Road Computing helps manage mobile devices on enterprise networks while simultaneously increasing their security and reliability.



OpGen is commercializing a novel single molecule DNA analysis technology for rapid identification and analysis of microorganisms.



Pharmaca Integrative Pharmacy is reinventing the neighborhood pharmacy by providing prescriptions, natural medicine, and fine personal care and beauty products all under one roof.



Pacific Pathway was founded to create unique and innovative personal protection products integrated with emergency preparedness capabilities.



picoChip provides innovative wireless solutions to help equipment makers minimize time-to-market, costs and system power consumption.



StyleFeeder is a social shopping community that simplifies the online retail experience by helping shoppers discover interesting products on the Web.



US Search provides premium people search services to both consumers and Fortune 1000 companies through its patented Darwin technology and access to billions of online records.



UUSee is the leading Internet television and interactive video operator in China, broadcasting nearly 60 channels of live TV programming and 350 channels of commercial video content.



Zoove provides a platform enabling an easier, more effective alternative to short messaging service (SMS) short codes, which are today broadly used for advertising response and marketing promotions.

CURRENT PORTFOLIO

AccentCare

Irvine, California

Home care services for the elderly

ANDA Networks

Sunnyvale, California

Cost-effective ethernet services

Archemix

Cambridge, Massachusetts

Aptamer-based therapeutics

AVEO Pharmaceuticals

Cambridge, Massachusetts

Innovative cancer therapeutics

Avidyne

Lincoln, Massachusetts

Integrated flight deck systems

BAROnova

San Francisco, California

Treatments for obesity

Bit9

Cambridge, Massachusetts

Endpoint security software

BlueTarp Financial

Charlotte, North Carolina

Trade credit services for the building materials industry

Blue Tulip

Princeton, New Jersey

Specialty gift giving stores

CafeMom

New York, New York

Mom-to-mom network

Casero

Toronto, Ontario

Broadband value-added services

CCTV

Alexandria, Virginia

Wireless communication services

ChiL Semiconductor

Tewksbury, Massachusetts

Next generation digital power chip

City Sports

Boston, Massachusetts

Specialty sports retailer

Codon Devices

Cambridge, Massachusetts

Commercial applications of synthetic biology

Coremetrics

San Mateo, California

Web commerce analysis

Covergence

Maynard, Massachusetts

Security for real-time enterprise communications

Desktone

Chelmsford, Massachusetts

Virtual desktops for enterprise environments

ExaGrid Systems

Westborough, Massachusetts

Disk-based backup solutions

Fidelis SeniorCare

Chicago, Illinois

Comprehensive care management

Glasses Direct

Wiltshire, United Kingdom

Stylish and affordable eyeglasses

Going

Boston, Massachusetts

Online social resource for 25-40 year olds

Gotuit

Woburn, Massachusetts

Intelligent navigation of on-demand video content

Guitar Center

West Lake Village, California

Retailer of instruments, pro-audio and recording equipment

Hangout Industries

Boston, Massachusetts

3D social networking

Harrah's Entertainment

Las Vegas, Nevada

Branded casino entertainment

Hyperion Therapeutics

South San Francisco, California

Specialty pharmaceuticals

Imprivata

Lexington, Massachusetts

Enterprise identity management systems

Innovative Silicon

Santa Clara, California

Semiconductor memory technology

Magen BioSciences

Waltham, Massachusetts

Dermatology specialty pharmaceutical company

Metacafe

Palo Alto, California

Video entertainment site

moka5

Redwood City, California

Desktop virtualization technology

Movik

Waltham, Massachusetts

Network infrastructure company

NameMedia

Waltham, Massachusetts

Marketplace for domain names and domain-related services

Navic Networks

Needham, Massachusetts

Products and services for digital cable networks

O Beverages

Cambridge, Massachusetts
All natural, clear, flavored and nutrient-infused water

Ocarina Networks

San Jose, California
High-performance storage and network subsystems

Old Road Computing

Westford, Massachusetts
Managing mobile devices on enterprise networks

OpGen

Madison, Wisconsin
Microbial genome analysis

Optasite

Westborough, Massachusetts
Wireless tower sites

P.A. Semi

Santa Clara, California
Power efficient platform processors

Pacific Pathway

Solana Beach, California
Emergency and disaster preparedness products

Pervasis Therapeutics

Cambridge, Massachusetts
Cell therapies for treatment of vascular disease

Pharmaca Integrative Pharmacy

Boulder, Colorado
Retail chain of integrative pharmacies

PhotoBox Limited

London, United Kingdom
Photo sharing, storing and printing

picoChip

Bath, United Kingdom
Semiconductor wireless infrastructure

Predictive Biosciences

Lexington, Massachusetts
Real-time cancer diagnostics

QD Vision

Watertown, Massachusetts
Next generation flat panel displays

Qihoo

Beijing, China
Chinese search solution provider

Quattro Wireless

Waltham, Massachusetts
Diverse ad placement across the mobile ecosystem

Radiospire Networks

Concord, Massachusetts
Cable-free HDTV solutions

RedBrick Health

Minneapolis, Minnesota
Consumer-directed healthcare platform

Simpler Networks

Dorval, Québec
Network solutions for telecommunications providers

StreamBase Systems

Lexington, Massachusetts
Processing technology for streaming real-time data

StyleFeeder

Cambridge, Massachusetts
Online social shopping site

SuitePlay

Algonquin, Illinois
Game room furniture and equipment

Tatara Systems

Acton, Massachusetts
Mobile services convergence platform

Topica

San Francisco, California
Email list management services

TriStar Investors

Pittsburgh, Pennsylvania
Strategic wireless assets

Turbine

Westwood, Massachusetts
Multiplayer online subscription video games

UUSee

Beijing, China
Internet television and interactive video operator

US Search

Culver City, California
Premium people search services

Vertica Systems

Andover, Massachusetts
Database engine technology

Virtual Iron Software

Lowell, Massachusetts
Server utilization software

Yoga Works

Santa Monica, California
Network of alternative health fitness centers

Zoove

Palo Alto, California
Alternative to short messaging service (SMS) short codes

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