

**North Carolina Security Breach Reporting Form
Pursuant to the Identity Theft Protection Act of 2005**

Name of Business Owning or Licensing Information Affected by the Breach: Highland Capital Brokerage, Inc.
Address: 3535 Grandview Parkway, Suite 600
Birmingham, AL 35243
Telephone: (205) 263-4400
Fax: (205) 263-4410
Email: dlawrence@highland.com

PLEASE SUBMIT FORM TO:
Consumer Protection Division
NC Attorney General's Office
9001 Mail Service Center
Raleigh, NC 27699-9001
Telephone: (919) 716-6000
Toll Free in NC: (877) 566-7226
FAX: (919) 716-6050

Date Security Breach Reporting Form submitted: 7/7/2008
Date the Security Breach was discovered: 6/5/2008
Estimated number of affected individuals: 327
Estimated number of NC residents affected: 3

Name of business maintaining or possessing information that was the subject of the Security Breach, if the business that experienced the Security Breach is not the same entity as the business reporting the Security Breach (pursuant to N.C.G.S. § 75-65(b)): _____

Describe the circumstances surrounding the Security Breach and state whether the information breached was in electronic or paper format: An internal report that contained social security numbers was inadvertently distributed via e-mail to agents associated with Highland Capital Brokerage.

Regarding electronic information breached, state whether the information breached or potentially breached was password protected or encrypted in some manner. no If so, please describe the security measures protecting the information: _____

Describe any measures taken to prevent a similar Security Breach from occurring in the future: Examining training programs to ensure that staff is aware of status of sensitive personal information and its proper handling.

Date affected NC residents were/will be notified: 6/25/2008

If there has been any delay in notifying affected NC residents, describe the circumstances surrounding the delay pursuant to N.C.G.S. § 75-65(a) and (c): N/A

If the delay was pursuant to a request from law enforcement pursuant to N.C.G.S. § 75-65(c), please include the written request or the contemporaneous memorandum.

How NC residents were/will be notified?

(pursuant to N.C.G.S. § 75-65(e))

Please attach copy of the notice if in written form or a copy of any scripted notice if in telephonic form.

- written notice
 electronic notice (email)
 telephone notice
 substitute notice

Signature: W. Drew Lawrence Date: 7/7/2008

Contact Person, Title: W. Drew Lawrence, VP

Address: _____

(if different from above) _____

Telephone: 205-263-9243 Fax: 205-263-4410 Email: dlawrence@highland.com

[PrivacyGuard member number]
[General Agent Name]
[Address1]
[Address2]

Dear [General Agent Name]:

We are writing to inform you of a recent incident. Regrettably, an office of Highland Capital Brokerage, Inc. ("HCB") recently discovered that an internal report that contained certain personal information was inadvertently distributed via e-mail. As an agent currently or previously appointed with HCB, the information in the internal report included your name and tax ID number or Social Security number.

While there is no indication at this time that the information has been improperly accessed or misused, we wanted to make you aware of this incident and offer our apologies for any inconvenience this may cause.

At HCB's expense, we have contracted with PrivacyGuard ("PrivacyGuard"), a service provided by the Affinion Security Center, to provide you with free credit monitoring services for one year, at no cost to you. Your PrivacyGuard membership benefits will include:

- Access to copies of your credit report and score from a national credit reporting agency;
- One free year of credit monitoring – this service monitors your records and notifies you if there are certain changes to your credit file;
- Quarterly "No Activity" notices if no changes to your credit file are detected; and
- Dedicated Fraud Resolution Representatives on hand to assist you one-on-one as necessary.

In order to activate your complimentary monitoring benefits and receive a copy of your updated credit report online, please follow these simple directions:

- Log into www.Privacyguard.com;
- Click on the 'Need a Username' link at the top of the webpage;
- Fill out the required information, which includes your unique 8-digit PrivacyGuard member number (found at the top of this letter, above your name and address);
- Once you submit your information, a confirmation pop-up page will appear, confirming your username;
- You may now request an online copy of your credit report and start using your PrivacyGuard benefits.

If you have questions about your PrivacyGuard benefits, please call PrivacyGuard customer service at (800) 350-7208. Questions appropriate for HCB should be directed to myself at (205) 263-9243.

Should you choose not to activate your PrivacyGuard membership, we want you to be aware of other resources that are available to you. If you have questions or feel that you may have an identity theft issue, please contact your local law enforcement or the Federal Trade Commission at 1-877-ID-THEFT (1-877-438-4338); TTY: 1-866-653-4261 or www.ftc.gov. You may also visit www.ftc.gov/idtheft or visit <http://onguardonline.gov> for practical tips from the federal government and the technology industry to help you protect your personal information. The

Attorney General's office in your state may also be able to answer questions or provide you with resources.

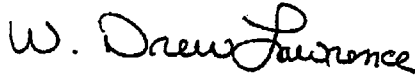
If you are concerned about being a victim of identity theft, call the toll-free number of any of the nationwide consumer reporting companies to place an initial fraud alert on your credit reports, which may help prevent the opening of new accounts without your knowledge:

- Equifax: 1-800-525-6285; www.equifax.com; P.O. Box 740241, Atlanta, GA 30374-0241
- Experian: 1-888-EXPERIAN (397-3742); www.experian.com; P.O. Box 9532, Allen, TX 75013
- TransUnion: 1-800-680-7289; www.transunion.com; Fraud Victim Assistance Division, P.O. Box 6790, Fullerton, CA 92834-6790

You may also visit www.annualcreditreport.com to obtain a free copy of your credit report once every 12 months from each of the nationwide consumer credit reporting companies.

On behalf of HCB, we again sincerely apologize for any inconvenience this incident has caused you and appreciate your continued cooperation as we take steps to safeguard your personal information. We take these matters seriously and are taking steps designed to minimize the likelihood of such an event occurring in the future.

Sincerely,



W. Drew Lawrence
Chief Operating Officer
Highland Capital Brokerage, Inc.