Noninvasive Skin Rejuvenation Therapies for Dermatologic Conditions

About Envy Medical
Envy’s mission is to offer highly effective noninvasive skin rejuvenation therapies for patients suffering from dermatologic or aesthetic conditions. The Company's lead products include SilkPeel®, a breakthrough system that combines precision non-invasive exfoliation with Dermalinfusion®, for a deep delivery of a diverse set of skin-specific solutions, resulting in better outcomes in treating acne, hyperpigmentation, scars, fine lines and wrinkles. More recently the company has developed and launched the highly effective LumiBrite® Brightening Skincare line for promoting a healthy skin function and an even skin-tone; and the ClarityMD™ line of acne skincare products, clinically shown to clear acne by over 90% within 14 days, without redness or irritation to the skin. Envy's products are found at leading dermatology, cosmetic surgery and medical spa locations throughout the United States and in over 40 countries worldwide. More information can be found at www.envymedical.com

Interview conducted by: Lynn Fosse, Senior Editor

CEOCFO: Mr. Cluff, when we spoke over a year ago you were launching the ClarityMD product line, where are you today with that?
Mr. Cluff: We launched the ClarityMD product line for acne. The initial response has been amazing. We are excited about not only the clinical results that we have achieved with the product that show exceptionally fast acne clearance, but also about the feedback we have been getting from the marketplace on the ClarityMD. People are reaching out to us unsolicited because it has made a big difference in their skin and their lives, where so many other things have not worked. It is in the beginning stages for us in terms of this penetration in the US market international markets, so we know it has a lot of growth to go; but we are on a good start with a superior introductory product.

“What people will appreciate about us as they come to know us is we have an exceptionally strong patent portfolio and we are on a high-growth rate and poised to take a leadership position in cosmetic dermatology, and to become a force in consumer skincare.” - Curtis A. Cluff

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CEOCFO: *What is different about ClarityMD?*
Mr. Cluff: There are a couple of things that make it different. First, it uses botanical ingredients that are very powerful antimicrobials. Bakuchiol is one of the star ingredients; and combined with those strong antimicrobials they are very potent anesthetic anti-inflammatory. What we find with this is that it not only clears acne exceptionally fast (We are three times faster in our ability to clear acne), but we get 91% or better clearance in the first fourteen days according to the pilot study published in the June 2014 Journal of Drugs in Dermatology. Perhaps even more exciting is that every other study we have seen for other acne products will also measure the redness and irritation that you get with the acne treatments while they are trying to achieve clearance. Their goal is to keep it at a tolerable level, because they are typically using things that dry and irritate skin like benzoyl peroxide and alcohol. By contrast, ClarityMD shows that what little redness and irritation that the patients had at the beginning of the study was actually gone within the first fourteen days. We are reducing the redness and irritation while we are clearing the acne and that makes it stand out even more so as a superior treatment. People will comply with using it because it is not causing them to get red or more irritated skin, which is the primary concern for physicians, patients, and consumers alike when it comes to acne products, because if they get too much redness and irritation they are going to stop using it.

CEOCFO: *How do you encourage people to try the product?*
Mr. Cluff: That is the challenge, as we are working to bring ClarityMD into the individual medical practices we work with nationwide. We have had a couple of developments on that front. We get people to try it because it is different from anything that they have heard about and we are pressing it through social media and social marketing. The second thing that we announced earlier this year is that we entered into an agreement with American Laser Skincare Centers, which is a nationwide chain that has brought on our products, including the SilkPeel device that is one of our legacy products as well as our skincare lines, Lumixyland ClarityMD, into their practices. They are highlighting these as primary offerings in their laser spas nationwide. This is getting people a lot of exposure to all of our products and has accelerated the ground awareness.

CEOCFO: *Is the market growing in general?*
Mr. Cluff: The market is growing, particularly the market for professional skincare lines, at a double-digit rate. It is a great place to be positioned and an exciting time to be positioned there. Part of what is driving that growth is that people are getting more involved and informed about skincare at a younger age. The market for more invasive things, like facelifts, which is in our esthetics space, is growing less robustly because are taking more care and doing more noninvasive procedures earlier, and are therefore able to put off more invasive procedures for later.

CEOCFO: *Would you tell us about your other products?*
Mr. Cluff: We have a legacy product that we sell through dermatologists, plastic surgeons and medical spas, called the SilkPeel DermalInfusion. It is unique in that it uses the basic mechanism of microdermabrasion, but what it is doing is delivering skin specific solutions into the skin and doing it in a way that allows for better penetration (and therefore better results) than anything else out there could accomplish. This is the device and the technology that this company was built upon. As this company grew, our goal became to get better topical technologies to use with that SilkPeel, and this led to the development of the Lumixyl line, which includes a skincare line. Lumixyl is based on a peptide technology that treats
hyperpigmentation, and is very much in line with the philosophy that we have with SilkPeel and all of our technology. Lumixyl works by inhibiting the production of melanin which is to say it helps fade the dark spots on skin, as well as even the skin tone by using a peptide that is a chain of amino acids naturally found in one way or another in skin, but in the combination has the effect of fading the hyperpigmentation. It does this without any redness, irritation, or unsavory side effects that one would find with a prescription alternative such as hydroquinone, which is typically used. Lumixyl is highly effective but non-invasive, non-irritating, and does not have side effects - much like our SilkPeel device is known in its space for being highly effective but non-invasive. The take-home skincare products work very well on their own at improving the tone and texture of skin, so that goes along with the ClarityMD acne product for improving the clarity and clearing acne in skin.

**CEOCFO: Does the look and feel of the product matter much?**

**Mr. Cluff:** When you are talking about professional skincare lines you want to make sure that you do have a balance; you have to appeal to the physicians with its science and efficacy, and consider how it fits into their medical practice or spa. It has to be something they can confidently recommend to their patients. Their patients have to feel good about it in terms of not only getting the efficacy, but they also want a good user experience; and that starts with the look of the packaging, but also incorporates the texture of the product, as well as its ease of use. Our goal is to strike that balance in order to give the professional the tools they need to make a difference, while also making it easy for them to recommend and sell skincare therapies that allow the patient feel like they are getting something they are happy to have on their shelf and on their skin.

**CEOCFO: You have entered the market in Brazil; would you tell us why you chose Brazil?**

**Mr. Cluff:** Brazil is just such a dynamic and growing market. We are excited to announce the launch of our Lumixyl line for skincare there. We were able to find a terrific partner in Libbs Farmaceutica. They are a strong presence in the Brazilian pharmaceutical market, both in prescription and OTC products, and they are looking to strengthen their presence for skincare in the dermatology market. They were interested in the Lumixyl technology for treating skin tone and texture issues, and we were able to create a unique partnership with them. They started with 3000 high-end drugstore locations and we have been building that out rapidly. There are over 400 individuals in the sales and marketing force that are dedicated to the success of the Lumixyl line, making it one of the largest sales forces in the world supporting the launch of Lumixyl; they have been very successful so far, getting great traction in just over three months since launch.

**CEOCFO: Are there regulatory agencies involved?**

**Mr. Cluff:** All of our products are marketed under preapproval here in the US. The SilkPeel device is a Class I Exempt medical device, which means that it is marketed and sold under a preapproval with the FDA and we are subject to FDA inspection from time to time. Our skincare lines are all a combination of OTC and cosmetic products from a regulatory standpoint. We are driving high efficacy but we are doing it without side effects or prescription level ingredients. Our focus is on getting the best possible result out of a combination of ingredients that fit an over-the-counter or cosmetic profile from an FDA standpoint.

**CEOCFO: What have you learned over time that might change the way you look at things in the company or market a bit differently?**

**Mr. Cluff:** I think one of great experiences for me has been the process of building these brands with Envy Medical, and I think that one of the
things I have done in this process is recognizing what and where my strengths are and then finding individuals who compliment those strengths. I do not believe any one CEO has all the skill sets required for success. CEOs are successful when they recognize where they need to compliment their skill sets and then bring in individuals that have those talents, giving them the latitude to be successful. As you build a team using that mind-set, you create a learning organization that is fully engaged, and one that can assess the needs in the market space and address them quickly.

CEOCFO: What is next for Envy Medical?
Mr. Cluff: We announced recently that we brought in some new capital partners. It is the first time in the history of the company that we have brought in outside capital. Everything we have done historically has been to drive organic growth and reinvest the profit that comes from that. However, earlier this year we announced a partnership in the form of a growth capital investor, HCP and Company. They are capital investors that are excited about what we are doing in the medical space and the fact some of these technologies, particularly this acne technology, have an ability to find larger homes in other channels. We will be taking some of these technologies and reworking them for larger market launches in the future. That is something that we will do very much in concert with our physician offerings, and we believe it will drive business to the medical channel that we are in now, and this medical channel will also serve as a great foundation for these technologies in the other spaces that we believe we can tap.

CEOCFO: What might people miss about Envy Medical?
Mr. Cluff: What people will appreciate about us as they come to know us is that we have an exceptionally strong patent portfolio, and we are on a high-growth rate, poised to take both a leadership position in cosmetic dermatology, and to become a force in consumer skincare. The company, because of our business-to-business approach working with dermatologists and plastic surgeons, is a brand that has fallen under the radar in terms of the bigger investment market. As they get to know us, what they will come to appreciate is that we have a strong research and development capability. We have a strong pipeline of technologies, both in products that we have initially commercialized and in those that are being worked on. Because of our R&D, we have a much bigger anchor than any company of our size would typically have. This is driving a lot of value; and, for us, it is just a matter of prioritizing the development of those technologies and channels. Historically, we have moved at a healthy organic pace, but that pace has dramatically accelerated now with the investment received and the increased profitability we are enjoying from the products launched thus far.

BIO: Curtis is the CEO of Envy Medical, Inc., since 2009. He led a dramatic expansion in the aesthetic medical channel for their signature SilkPeel® technology, and the development/launch of their professional skincare brands: Lumixyl® Brightening System for treating skin tone and texture issues, ClarityMD™ for treating Acne. Previously, he served in executive roles for industry leaders including Colorescience and Obagi Medical Products, where he was a primary architect in building Obagi from a small private venture into the leading professional skincare brand in the U.S., completing a successful IPO and secondary offering/exit. He began his career with Deloitte LLP, as a CPA specializing in technology and distribution. Curtis received his B.S. in Business Administration from California Polytechnic University.