

Envy Medical Inc. is focused on the Launch of their ClarityMD Product that will Revolutionize Acne Treatments Globally and Change the Face of the Company

**Consumer Products
Skin Products**

**Envy Medical Inc
31340 Via Colinas, Suite 101
Westlake Village, Ca 91362
Office (818) 850-2515
888-848-3633
www.envymedical.com**



**Curtis Cluff
CEO**

BIO:

Curtis A. Cluff was named Chief Executive Officer of Envy Medical, Inc. in June 2009. Mr. Cluff brings over 15 years of executive operations and finance experience, from private equity startup through Fortune-500 sized corporations. Prior to joining Envy, Mr. Cluff was the President and COO for Colorescience Inc., establishing their medical channel strategy, and international presence from 2007 to 2009. From 2002 through 2007 Mr. Cluff served in a number of senior executive roles for Obagi Medical

Product Inc., including Executive Vice President of Operations & Corporate Development, Interim President, and CFO. During this time, Mr. Cluff was a primary architect in building the company from a small private venture into the leading professional skincare brand in the United States, successfully taking the company public in 2006. Prior to that, Mr. Cluff served as the CFO of Beyond Corporation from 2000 to 2002, and as a Vice President & Senior Financial Officer for Merisel Inc., a Fortune-500 technology distribution company from 1996 to 2000. Prior to his time with Merisel Inc., Mr. Cluff served from 1994 to 1996 as the Senior Financial Controller for the U.S. Pacific division of Westburne Inc. (now part of Rexel S.A.), the largest North American integrated wholesale distributor of construction, industrial and commercial supplies.

Mr. Cluff began his career with Deloitte and Touche, LLP's Audit and Advisory Services group, specializing in distribution and high-tech manufacturing. Mr. Cluff is a CPA and received his B.S. in Business Administration from California Polytechnic University.

About Envy Medical Inc.:

Envy Medical is one of the most exciting medical technology companies to emerge in the field of dermatology and medical aesthetics. Founded by Ken Karasiuk, the Company flourished on the 2002 patented invention of Dermalinfusion, method of non-invasive skin therapy, under the SilkPeel™ brand of medical devices. SilkPeel is already a gold standard for leading dermatologists and cosmetic surgeons for treating acne, hyperpig-

mentation, photo-damage, fine line wrinkles and minor scarring on the face and body.

The Company also owns exclusive rights to a class of novel peptides that show clinical efficacy in the topical treatment of dermatologic indications. The lead peptide, decapeptide-12 was developed by Dr. Basil Hantash's team of dermatological researchers out of Stanford University, this ground-breaking technology encompasses the only peptide class clinically shown to significantly brighten skin, and address hyperpigmentation. In 2010, the company introduced its first product line for skin brightening under the brand name Lumixyl™. Recent studies show that Lumixyl™, provides comparable or better results than prescription hydroquinone products, and yet is completely non-cytotoxic and therefore does not result in the side effects associated with such prescription level products.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: What is the overall plan at Envy Medical?

Mr. Cluff: Envy Medical is a company that is focused on specialized skin care products and services. We have a flagship product line that is sold and used by dermatologists and plastic surgeons and other skin oriented physicians, called the SilkPeel™ Dermalinfusion. It is a device that is not only good at resurfacing the skin but also at delivering active ingredients deep under the surface, down to the dermal junction. It can effect real change in the way the skin functions providing better outcomes from the treatments.

The company initially started with this technology and we have patents around the concept of dermalinfusion—it is the only dermalinfusion device out there. We have built a platform initially based on that technology, driving better results in treating acne, photodamage, and the visible signs of premature aging. Now, we have branched into launching skin care products and skin care lines to treat things like hyperpigmentation and acne. Our goal is to treat all visible skin conditions, both aesthetic and therapeutic. Not only using the device, but using proprietary ingredients and proprietary actives that we have been developing for use within the device and with stand-alone skin care products.

CEO CFO: What has Envy Medical figured out that is different, better, easier or faster than other companies?

Mr. Cluff: Many companies do unique and interesting things, developing devices and products. We have a strong position with technologies that are both highly effective and non-invasive and that is where our strength is and where we shine. For example, treating hyperpigmentation: the gold standard in the U.S. is to treat it with prescription topicals that feature most prominently hydroquinone. Hydroquinone is effective but it is also highly cytotoxic, which means it causes irritation, redness and peeling. There are growing concerns around the long term safety issues that are related to hydroquinone. It has been banned for use in cosmetics in several countries. A ban has been proposed by the FDA in the not-too-distant past here, still sitting as an unresolved issue for the FDA. Envy has an active known as decapeptide-12 that was developed at Stanford University. It is shown to be more potent. In fact, the clinical studies published in the Journal of Investigative Dermatology show it to be 17 times more potent than hydroquinone as an inhibitor of that melanin production, but at the same time completely non-toxic. In fact, at the level at which Hydroquinone is 100% cytotoxic,

causing 100% cell death, Decapeptide-12 causes absolutely no cell death. What this translates to is that we get visible improvement comparable to hydroquinone treatments and therapies but without the redness, without the irritation, without the flaking and without the long term safety concerns when people have skin conditions that might need a therapy for a longer period of time. That is indicative of what we have in all of our products. For each product and condition that we are treating, our niche is that we have found ways to do it in an effective manner that does not have side effects or safety concerns related to it.

CEO CFO: How does Envy Medical reach potential customers?

Mr. Cluff: We work with some of the leading physicians across the country. Some of our flagship technologies have been developed with leading

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doctors at Stanford University and other institutions around the country. About 1,000 doctors actively use our flagship product that the company launched in 2004 across the U.S. That is not a huge number of doctors in terms of the number of practicing dermatologists and plastic surgeons, but they are some of the best-known, leading physicians across the country and we have great visibility with them. These high-profile doctors are at the cutting edge of understanding the available technologies and they have naturally gravitated to what we are offering. We are also available and actively marketing products with partners in over 35 countries such as Japan, Canada, Colombia and Mexico. Our first full skincare line, Lumixyl™ topical brightening system, will be the first and currently only professional skincare system to be available in all 5 of the major skincare markets including China, Brazil, North America, Europe and Japan by the middle of this year. We have a combination of

high efficacy, which drives demand, and low safety concerns, which makes it easier for it to be imported and registered in other countries.

CEO CFO: Do consumers realize the difference between a cosmetic product and a medical grade product?

Mr. Cluff: Consumers, first and foremost, care about results. Skincare has been a high-growth market for the last several years and will be for 10 years or more. Within a subset of skincare, the highest growth is in the professional skincare brand. The reason is that consumers are becoming more educated about how a certain product is going to work. Many products make promises that the average consumer is somewhat skeptical about. Consumers are doing more to investigate, becoming familiar with ingredients. They are talking with their dermatologists and skincare professionals about what they should be using. With this trend, there comes a higher growth opportunity for brands such as ours that are not major consumer-backed brands. We do not have some of the resources of the large consumer brands but we have

the mind share of respected physicians around the country. As consumers seek effective products, they tend to find products like ours that are satisfying in terms of the results. Their repeat purchases are higher and their usage profiles for our products are longer than what you would find with a typical consumer product.

CEO CFO: What are some of the major changes Envy Medical has gone through under your leadership?

Mr. Cluff: That answer ties into why I came to the company. The company was founded by Ken Karasiuk, a bright inventor with a background in the aesthetic medical industry in the laser technology realm. He invented the SilkPeel Dermalinfusion on the concept of building a device that could deliver topic ingredients into the skin more effectively for better outcomes. It is strength is that it makes good topical ingredients better and it can make a great topical ingredient superior. My attraction to the com-

pany was from my history in working with Obagi Medical Products. I recognized the market demands for a better therapy in hyperpigmentation, in acne and in other skin conditions and saw that Envy Medical had a great device for that kind of delivery. We could not only get good results, but also complement it with take home products and have a more well-rounded offering for the patient in addressing their short and long-term needs. I came to help Ken build that skincare side of the practice. Now, I have helped assemble a team of individuals, formulators, manufacturers and marketers that I have worked with in the past to build new, strong skincare product offerings and develop proprietary technologies for treating hyperpigmentation and acne, complementing the SilkPeel Dermalinfusion device. We have been able to drive stronger growth in the skincare side with topical skincare products and that now makes up about half the company's revenue. We have also been able to more than double in size in the first 3 years of my being here. We feel like we have just scratched the surface and are laying the foundation for some explosive growth in the next few years.

CEOCFO: Are there geographic areas that Envy Medical does not have a presence but would like to establish?

Mr. Cluff: We have been looking for the right kind of partner in India. That is an area of focus for us in the coming few months. It is another market with large growth potential that we have not been able to address yet but think we will get to shortly.

CEOCFO: Would you tell us about any new products?

Mr. Cluff: We are in the process of launching a new product technology that we are very excited about for addressing acne. It is under a new brand called ClarityMD. It features a simple acne treatment that includes an acne cleanser and an acne gel. There are many acne products out there and they all have typical ingredients that are moderately effective and have been around for many years, most notably benzoyl peroxide, a gold standard in the LTC market. Benzoyl peroxide is a large molecule that is hard to formulate with, so it is typically formulated in crystal suspension, causing only 3 to 5% to penetrate the skin while the rest sits on top, drying the skin out and irritating it. The common complaint that acne patients have is that it may help with their acne but it causes redness and dryness of the skin and becomes unbearable. Our product is a breakthrough. We have developed a process in working with salicylic acid, a common ingredient. We have built a workhorse underneath it featuring two ingredients: bakuchiol and bisabolol. Bakuchiol is a potent anti-microbial stronger than benzoyl peroxide. We have been able to solubilize bakuchiol so that it is broken down into nanoparticle molecules and can penetrate to the base of the pore as if it were a liquid solution. There would be a fair amount of sting with the penetration so we combined and solubilized it with the ingredient called bisabolol. It is an anesthetic/anti-inflammatory that together with the bakuchiol eliminates any visible redness or stinging from the product, leaving just a tingling sensation. There is no drying out or redness of the skin. What we have found with the clinical studies is that we have gotten over 50% clearance of inflammatory acne in the first 7

days of use and 99% clearance in 6 weeks. If you look at all the clinical studies published on OTCs and prescriptions ClarityMD achieves clearance of acne at least 3 times faster. Therefore, we are very excited about ClarityMD. We think it is going to be a huge product, one that, on its own, will change the face of this company and change the face of acne treatments in the United States and around the world. Of course we are also launching this same acne technology in a solution to use with the SilkPeel dermalinfusion.

CEOCFO: Why should people in the business and investment communities pay attention to Envy Medical?

Mr. Cluff: The draw for people in the investment community is that this is a company that has done what it has done. We have accomplished what we have accomplished without the benefit of venture capital funding. Ken Karasiuk and a couple of investor friends founded this company reaching profitability quickly and growing organically. Everything that we have developed and launched has been in physician-mediated channels, and yet every single technology has application in the mass-market consumer channels as well. Our goal has been to build a strong reputation, which we think we have done a good job of to date and will continue to do in that medical channel. Then we will find the right partners to build the platform out into larger mass market channels that have greater growth potential but will require a different profile for investment and spending then we have the ability to do at this stage of the company. We are open to finding those kinds of partners and this is the right time to grow our visibility in the investment community.



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