

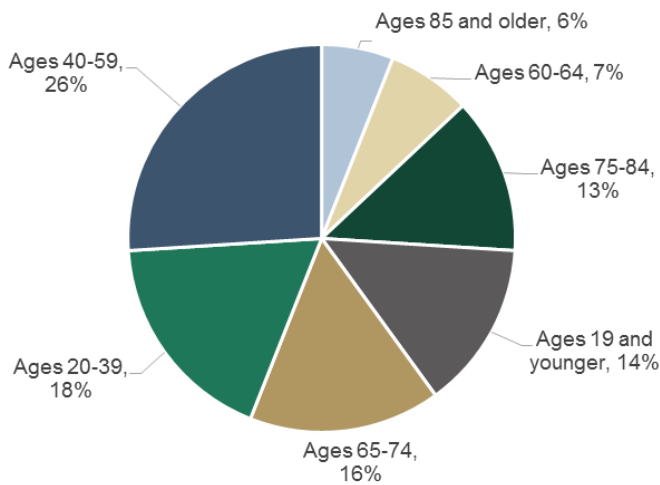


1H 2014 DERMATOLOGY INDUSTRY UPDATE

Market Update

During the first half of 2014, the dermatology sector experienced robust deal flow with a number of diverse transactions completed. As Advanced Dermatology & Cosmetic Surgery (ADCS) continued its acquisition spree (a total of 3 practice acquisitions in the past 6 months), a new private equity-backed dermatology platform was also formed through Varsity Healthcare's investment in Dermatology Associates of Wisconsin / Forefront Dermatology (DAW). We expect DAW to follow a similar add-on acquisition strategy to ADCS, especially as the Company targets states outside of Wisconsin to expand its geographic presence.

Dermatology Consumer Demographics



Private Equity-Backed Strategic Players

Company	PE Backer	Investment Date
Dermatology Associates of Wisconsin	Varsity Healthcare and Goldman Sachs	May 2014
Dermatology Associates of Tyler	Candescent Partners	January 2013
Naples Center for Dermatology & Cosmetic Surgery	Prairie Capital	January 2013
Advanced Dermatology & Cosmetic Surgery Center	Audax Group	February 2012

SELECT TRANSACTIONS

Month	Acquirer	Target Company	Details
June 2014	Advanced Dermatology & Cosmetic Surgery	Bettencourt Skin Center	Advanced Dermatology & Cosmetic Surgery (ADCS) announced it completed the acquisition of Bettencourt Skin Center, a dermatology practice in Henderson, Nevada. The acquisition will allow ADCS to expand its operations in the Las Vegas market and to continue building on its national expansion strategy.
May 2014	Varsity Healthcare Partners and Goldman Sachs & Co.	Dermatology Associates of Wisconsin / Forefront Dermatology (DAW)	Varsity Healthcare Partners and Goldman Sachs & Co. announced that in partnership with the existing shareholders of Dermatology Associates of Wisconsin / Forefront Dermatology (DAW), they have formed Forefront Management Holdings to provide practice management services to DAW. DAW is one of the nation's largest and most reputable providers of dermatology services, operating 40 clinics in four states in the Midwest. Terms of the transaction were not disclosed.
April 2014	Advanced Dermatology & Cosmetic Surgery	Albergo Palm Harbor Dermatology	Advanced Dermatology & Cosmetic Surgery (ADCS) announced it has completed the acquisition of Albergo Palm Harbor Dermatology, a dermatology practice in Palm Harbor, Florida. The acquisition continues to expand ADCS' West Florida footprint, which enables them to better serve patients in the Palm Harbor area of Pinellas county.
April 2014	Riverchase Dermatology and Cosmetic Surgery	West Coast Dermatology	Riverchase Dermatology and Cosmetic Surgery has acquired West Coast Dermatology. With seven office locations in western Florida, West Coast Dermatology complements the Riverchase Dermatology platform by further extending the practice's reach to provide better access to high quality dermatologic and cosmetic services.
February 2014	Advanced Dermatology & Cosmetic Surgery	Miramar Dermatology	Advanced Dermatology & Cosmetic Surgery (ADCS) announced it has completed the acquisition of Miramar Dermatology, which is the second acquisition ADCS has completed in South Florida. Miramar Dermatology was founded by Dr. Jay Gottlieb, who has expertise in all facets of dermatology, but a particular focus on Medical/Surgical and Cosmetic Dermatology. ADCS, which is backed by the private equity firm, Audax Group, currently operates over 70 clinics in Florida and Ohio, and provides clinical, cosmetic, surgical and pathology services.