




October 31, 2005

David Pascoe  
Rosacea Research Foundation  
c/o Dr. Charles Young  


Dear Mr. Pascoe:

On behalf of the National Rosacea Society (NRS), I would like to thank the Rosacea Research Foundation (RRF) for its donation, and we appreciate this opportunity to describe how funds are disbursed to medical researchers from the National Rosacea Society.

The amount of research grant money awarded each year is not limited to a predetermined budget, but rather is dependent on the number of grant applications received and subsequently approved for funding by the NRS Medical Advisory Board, which consists of rosacea research experts. (Advisory Board members are recused from the annual grant review if a grant proposal has been submitted by themselves or anyone else at their institution.) We anticipate that the number of research grants awarded will continue to increase as this program and the need for rosacea research continue to become more widely known in the medical scientific community. From the first grant awards at the end of 1999 through 2004, 27 studies have been selected for funding.

Since the NRS research grants program was initiated, all donations from individuals have been used or designated to support this program, even if their use was undesignated by

the donors. According to annual independent public audits, from the inception of the research grants program in 1998 through 2004 a total of 71 percent of public donations has been used directly to fund scientific research or has been retained in the society's net assets to cover future grant payments and additional grant awards. The remaining 29 percent of individual donations was used for vital supporting activities to promote or facilitate rosacea research within the medical scientific community, including the development of the first standard classification and grading systems for the disorder.

Especially because the grants program is relatively new, it was fundamental to make the availability of grants known to potential researchers through such outreach activities as announcements in medical scientific journals, mailings to medical schools and other key research centers worldwide, and a rosacea research workshop each year at the annual meeting of the Society for Investigative Dermatology, the primary forum for basic researchers in dermatology.

Moreover, at the first workshop in 2000, there was universal agreement among the medical scientists that for progress to be made in rosacea research, standard criteria were essential in order to perform studies, analyze results and compare data from different sources. The NRS therefore undertook a major effort to organize and fund consensus conferences to develop standard classification and grading systems. These were formulated by a committee and review panel of 17 rosacea experts worldwide and published in the Journal of the American Academy of Dermatology, and are similar to standard classification and grading systems in place for more widely studied disorders.

While the amount of research grant funds awarded each year is expected to continue to expand, it is still a relatively small but growing percentage of total NRS program service spending (15 percent in 2004), compared with the large number of well-established awareness and educational services that have been funded since their inception in 1991 by donations from industry and other non-individual sources. These activities -- as well as all fundraising and administrative costs -- have never been funded by donations from individuals. Provided at no cost to the public, these services are strictly non-commercial in content, and include Rosacea Awareness Month, media services, public service announcements, the Rosacea Review newsletter, a toll-free



telephone number, technical exhibits, a Web site and various educational booklets and other materials. They reach a total estimated audience of more than 400 million annually, and directly serve approximately 750,000 people with rosacea each year.

While unrelated to the research grants program, it is worth noting that the average administrative and fundraising cost portion of NRS spending over the years has been less than 12 percent, well under the 35 percent maximum suggested by the U.S. Better Business Bureau Standards for Charity Accountability, thereby freeing more money for program services.

The personnel and infrastructure needed to support and implement the various public awareness and educational program services are provided by the Glendale Communications Group, which has also carried significant outside expenses associated with the production of educational materials. Ownership of Glendale is not considered a conflict of interest as long as its charges are fair and reasonable, and this has been confirmed by independent oversight and competitive estimates. Glendale also provides facilities, equipment, supplies and clerical services at no cost to the NRS.

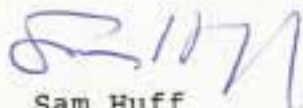
As you know, establishing a research grants program is an enormous task and a long-term process that requires a number of years to fully integrate within the medical scientific community. However, the number and quality of grant applications have been steadily increasing, and a corresponding increase in donations will be needed if the program is to expand.

Because donations from individuals have always been used to support the research grants program even if their use was undesignated by the donors, we have modified the donations page on the NRS Web site to reflect this actual practice. The donations page now states that all individual donations will automatically be used to fund medical research studies unless noted otherwise with the transaction.

We hope this clarification will encourage greater support of the research grants program, and we welcome the help of the RRF as we continue to move forward. Thank you again for your interest in rosacea research, and for your important contribution to a research grants program that is

intended to benefit all who suffer from this widespread but  
poorly understood disorder.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Huff', written in a cursive style.

Sam Huff  
Director