

March 7, 2016

Dear valued Raleigh retailer,

This past week we introduced [Cycle of Wellness](#), a new initiative at Raleigh to laser target consumer audiences who are likely to ride a bike to improve their health and wellbeing through an active outdoor lifestyle and the desire to have FUN.

Our aim is to find these potential customers, break down the barriers of entry and invite them into the cycling world to participate and belong long term. To effectively achieve our goal, we must ensure these customer groups have access to purchase.

Making Raleigh Bicycles more accessible and enabling great starts

In July of 2015, Raleigh unveiled its 2016 product line with an updated, interactive website that welcomes visitors into the Raleigh community. The site is the hub of our brand vision and an invitation to the happiness inspired by cycling. [RaleighUSA.com](#) is an interactive user experience with ease of use for exploring our site. The illustration on the site captures our ideal cycling world and is a reminder of what it's all about – *the simple joy of riding a bike*.

Beginning in mid April, we will test launch an updated e-commerce website that will offer sales of complete Raleigh bicycles to consumers, which will be fulfilled through Raleigh retail partners. This new site will provide a variety of opportunities for our Raleigh dealers and an Omni-channel path to purchase for the consumer.

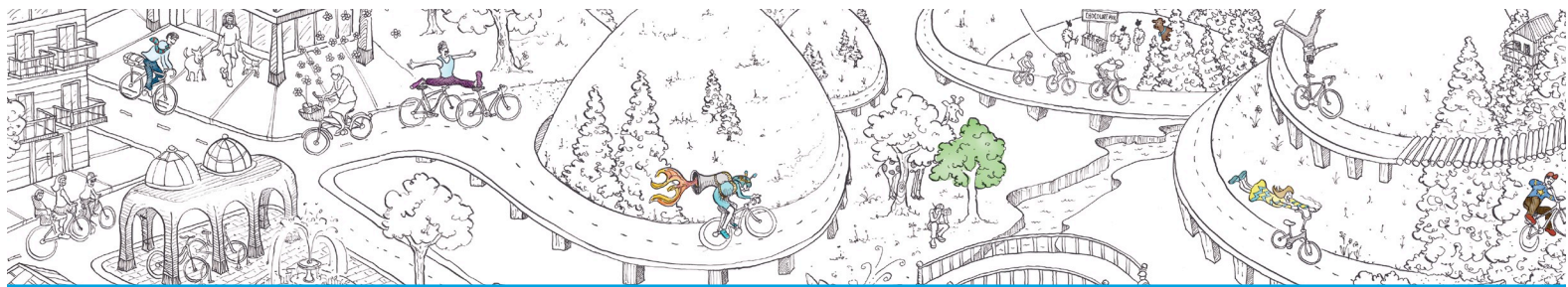
Raleigh bicycles will become available to every consumer in North America

If the area Raleigh dealer doesn't have a particular model in stock or if there is no area Raleigh dealer, it will no longer be a missed selling opportunity.

Local bike shops are an important part of the program's success

The following is a summary overview of how this will work, what it means for you, and how you can benefit from this new purchasing channel. The strategy will invite a completely new audience of people to experience the pure fun and joy of riding a Raleigh by enabling an opportunity to purchase, in a way that is closely aligned with how these targeted new consumers are shopping today.

Some quick facts about the consumer, as communicated at the recent IBD Summit:



- 84% of consumers shop online before or during a trip to a store
- 71% expect to view in-store inventory availability online
- 39% are unlikely to visit a store if stores' inventory is not visible online
- 50% expect to buy online and pick up product in-store

Many shops are losing consumers without even knowing it; customers today want to be able to make purchases through all channels without issue, at any time.

When a bike is purchased through RaleighUSA.com, the consumer will be directed to a local Raleigh dealer for pick-up. In the event a local dealer does not exist within a fifty-mile radius, the bike may be delivered directly to the consumer, through a qualified regional retail Raleigh dealer partner.

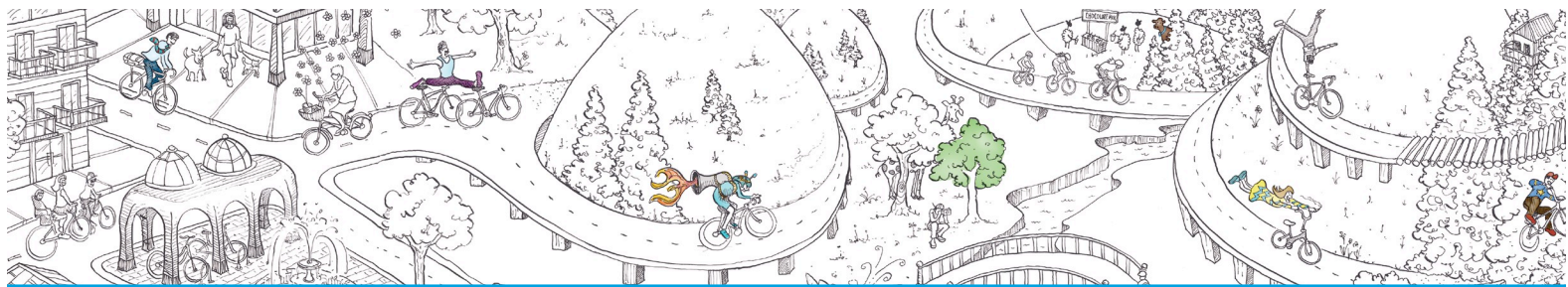
To better ensure the right bike and size are chosen at the time of sale, a live chat function will be launched with the updated RaleighUSA.com website.

Qualified Raleigh dealers will receive normal margin when their point-of-sale system has been integrated and have the bike in their stock and available to sell. In the event that bike is not in stock or you do not qualify for systems integration, you will receive a commission on the sale, taking into consideration your dealer program leveling and the costs of sales incurred by Raleigh for marketing, processing and shipping the order. You will then be paid monthly through a credit to your account, which will be applied to your balance. More specific details are provided in our digital services agreement, which will be available to Raleigh dealers before the end of March. We expect this e-commerce program to be fully deployed to all Raleigh retailers as we sign-up 2017 programs, later this year.

Enabling qualified Raleigh dealers to sell higher price point Raleigh bicycles (above \$1000 MSRP) online, direct to consumer

Raleigh has never been a company that has forced our dealers to stock all of our high-end products. We trust and believe in your ability to choose an assortment that works for your demographic, however this has presented us with a challenge when it comes to providing consumers access to purchase many of our finest and most searched for models that consumers are interested in buying. Our own website analytics highlights this important point.

To ensure the relevance of our brand, beginning on March 1st 2016, we have authorized a small number of qualified retailers, the ability to sell and deliver a range of 2016 Raleigh bicycles, retailing at over \$1000 MSRP, along with previous model year closeouts, on their own company websites.



Most of these retailers are current brick and mortar Raleigh partners, however some new partners are primarily e-commerce retailers that have retail showrooms where Raleigh will be displayed and sold. This online sales opportunity will be open to additional qualified Raleigh retailers that are able to meet our program customer service and annual purchase requirements. Your area sales manager can provide additional details upon request.

All Raleigh bikes that are to be sold online must be professionally assembled, tuned and adjusted before being packaged for shipping. Strict adherence to Minimum Advertised Pricing (MAP) policies, after-sale service and warranty requirements will apply to all Raleigh bicycles sold online.

This modified distribution strategy will undoubtedly result in increased and enhanced exposure for the Raleigh brand and will improve brand awareness of models that deserve greater marketplace exposure. We are confident you will be asked for, and sell more, Raleigh bicycles as a result of these actions.

Improved Gross Margin Return on Inventory Investment '[GMROI](#)'

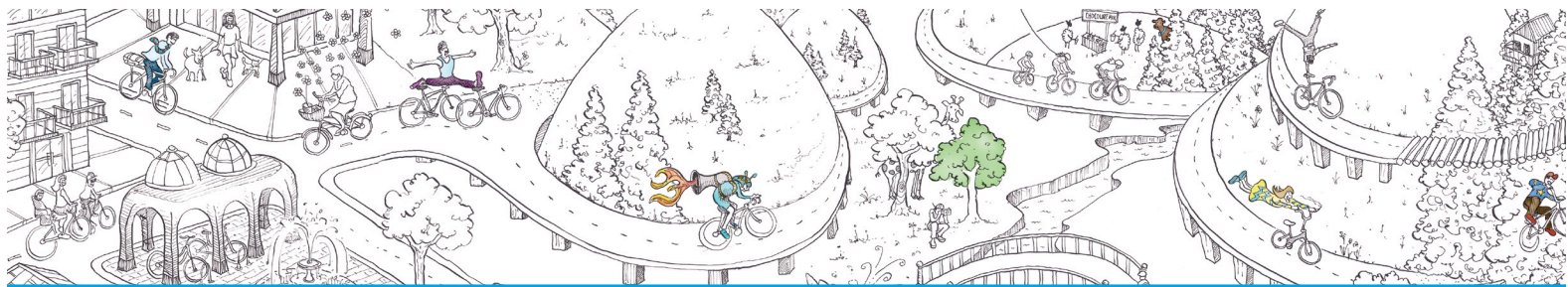
While top line revenue and margin are important, inventory turnover is often a missing metric in the equation. Our Cycle of Wellness initiative, paired with our new e-commerce strategy will positively impact your business's financial performance.

Beginning in April, significant marketing efforts will be focused on all of the Cycle of Wellness promotional bikes. This laser focused digital marketing from Raleigh, with geo-targeting around participating dealers, will result in greater demand and inventory turns of Raleigh bicycles in your store.

Even with lowered retail prices, your margin on these promotional models will remain strong, as outlined in Cycle of Wellness. Our focus here is driving local traffic, increasing your turnover, and thus improving your financial performance. Simply put, Cycle of Wellness models will sell through more quickly and be very beneficial to you, our valued dealer:

- ***Raleigh aggressively advertises Cycle of Wellness bikes online (nationally and through local geo-targeting) → consumers order online or visit stocking dealer → consumers go to local dealer for bike → increase in shop's turn rate and GMROI → draws new people to shop and increase in consumer loyalty and return shoppers to your store.***

Increases consumer loyalty and return shoppers



This Omni-channel approach will allow you to connect with new consumers on a local level. It's not just about selling bikes online. It's about the leads that will be generated from finding new consumers online that will be invaluable customers for your shop.

Though some bikes will be ordered online, they'll be picked up in store, and consumers will expect you to be their local bike expert. If consumers are happy with their in-shop experience, it will lead to consumer loyalty, generating additional accessory and service sales.

What's next?

Before the end of March, we will send all Raleigh dealers a Digital Services Agreement that describes in specific detail, requirements to maximize program benefits. After you have had an opportunity to review the agreement, any follow-up details and specific questions that you may have for your business will be answered by your account representatives or regional sales manager.

Thank you for your business and continued support.

Best regards,

Larry Pizzi
Sr. Vice President
Raleigh USA