

Dear RapNet Members,

Greetings and best wishes for a successful holiday season.

As you may know, RapNet is introducing significant changes in the structure of our services and fees. Following our previous letter of September 20, we received numerous comments and feedback about our plans. In response we have made important changes. The details of our new RapNet packages and fees as well as an explanation of why we are making changes are presented in this letter.

On behalf of the RapNet team, I take this opportunity to thank all the members that contacted us with feedback. Your input is very important. We care about what you have to say and incorporate your comments and concerns into our decision making.

The following changes will be introduced Jan. 1st 2016 and will become effective upon a member's annual expiration. Added value services will be available to all members as they are implemented.

There will be four primary RapNet Service packages.

1. **RapNet Jeweler** - \$60/Month or \$660/year. Same as current fee.
 - a. Only available to bona-fide retailers whose primary business is selling products or services to consumers. The RapNet Jeweler package will be the same service currently provided, except that sell listings will be limited to 50 diamonds at the same time. We are not raising prices for retailers as we wish to encourage buying activity on RapNet.
2. **RapNet Light** - \$60/Month or \$660/year. Same as current fee.
 - a. Available to all members of the jewelry trade. This services is designed for members that use RapNet for sourcing and pricing. It is not designed for dealers who trade on RapNet. Services provided are the same as RapNet Jeweler except no diamonds may be listed for sale.
3. **RapNet Dealer** - \$100/Month or \$1,100/year.
 - a. Available to all members of the jewelry trade who wish to trade diamonds on RapNet. RapNet Dealers will receive all current RapNet services with a limitation that no more than \$7 million worth of diamonds may be listed at the same time. In addition, RapNet dealers will receive online recognition, an enhanced search engine and enhanced TradeScreen features with more price and availability information. These additional services will be made available over the course of 2016.
4. **RapNet Primary Supplier** - \$500/month or \$5,500/year



- a. Members wishing to list more than \$7 million worth of diamonds at the same time will be required to pay the Primary Supplier fee, which will entitle them to unlimited listings, everything available to RapNet Dealers and a special Market Intelligence 2.0 product that will provide detailed and specific information about current and historic diamond prices, availability and market trends.
- b. Members paying the Primary Supplier fee will be entitled to apply for RapNet Primary Supplier designation. Such designation will entitle the member to special recognition for all diamond listings and in the RapNet member directory, an enhanced member directory profile page and access to special RapNet marketing programs.
- c. The RapNet Primary Supplier designation will require special approval by RapNet management in addition to payment of the fee. The company's reputation on RapNet, history of meeting financial and delivery obligations, trade and human rights compliance policies and procedures, and other factors will be considered. While the Primary Supplier designation requires a higher level membership and provides unique benefits, it is not for sale and may be removed at any time by RapNet management.

RapNet also provides a broad range of additional added value services such as Instant Inventory for retailers, custom reports, higher-level, real-time market intelligence and analysis, and exclusive trading networks. These and other services are available at additional cost and are not part of the RapNet standard packages. For information about additional services, please email services@rapnet.com or call your local RapNet office.

Why is RapNet introducing additional services and raising prices?

Thank G-D RapNet has been very successful over the past 24 years. Thousands of diamond suppliers and buyers have worked together making hundreds of millions of dollars using RapNet. Aside from direct trading opportunities, RapNet is a connections machine enabling members to establish extensive new relationships all over the world. We have opened up new markets and new businesses. We have helped make it possible for suppliers and buyers to get the right diamonds to the right customers at the right price and at the right time.

The diamond industry is going through difficult times and as Chairman of the Rapaport Group I must chart a successful course for our Group and our RapNet members. Let me make it clear, our interests are aligned, without members there is no RapNet. Our goal is to improve the market position of our members. We do this not only by providing the best technology and service, we must also make the right strategic decisions for RapNet.

So what should we do given the challenges facing our trade? Should we lower our prices and services? Limit our activity and expenses? Run scared? No, that is not what we are going to do. On the contrary, we are going to take forceful proactive measures that will increase business opportunities for our members. We will not shrink back, we will burst forward by significantly increasing our spending on marketing and technology. We will clearly define our members and their needs. We will discover and implement new and better ways for members to do business with each other.



Now more than ever we need the power of RapNet to bring in more buyers. We must reach out across the globe to bring in additional well positioned retailers who serve growing middle and wealthy class consumers. We need more jewelry manufacturers who want assurance that the diamonds they buy are graded natural-untreated. We need more investors who want a fair market access to the diamond markets. We must also meet the needs of hundreds if not thousands of companies that face bankruptcy because they cannot find buyers. They must be given access to RapNet markets that will help them move inventory, increase liquidity and unclog the diamond pipeline.

We must also serve the needs of our buyers by bringing them additional motivated suppliers. Buyers must be encouraged to buy more diamonds by giving them fair market access to competitive availability and prices. And no, RapNet is not just about prices. Many buyers need local availability and memo services more than they need the lowest price in the market. There is plenty of room for added value services and profits for the whole distribution system on RapNet.

I am pleased to announce that the Rapaport Group will be investing more than one million dollars to implement new outreach programs that will increase business opportunities for RapNet members.

But that's not all.

A new world of information technology is advancing at warp speed. Competing luxury products are meeting the needs of consumers who demand instant access to instant inventory. The use of technology has become the most vital differentiation component in the supply chain. Sales is no longer simply a function of price and physical availability. It is now a function of technology implementation.

The RapNet diamond trading network is vital to the efficient movement of goods and money in the diamond industry. We are the superhighway of diamonds. We recognize this and our responsibility to our members. We must maintain, develop and advance our technology so that our members can successfully compete and succeed in the marketplace.

I am pleased to announce that the Rapaport Group will be increasing our expenditures on technology by over one million dollars. This will ensure our ability to provide the best technology to our clients and introduce new products and services to the diamond industry.

The future of RapNet and our diamond trade requires us to make bold moves in the face of difficulty and adversity. Most importantly we must have confidence. Confidence not just in our products but in ourselves and our ability to add value to diamonds. Whether we add value by cutting diamonds, merchandising and distributing them, setting them in jewelry, retailing them or creating sophisticated electronic trading systems, we must all believe in the value of what we do and have the confidence to charge a fair price for our added value.

In conclusion let me say that RapNet is moving forward in a highly aggressive manner. We are betting over two million dollars on our future and the future of our RapNet members. We are confident that our investments will



significantly improve the business of our members and as a result our own business. Our business is all about adding value and as always that means we plan to give more than we get.

I thank you for being a RapNet member and taking the time to read this letter. Please feel free to contact me martin@diamonds.net with your views.

Best regards,

Martin Rapaport

