

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 20, 1987

The sixth meeting of the Business and Industry Committee met on Tuesday, January 20, 1987 in Room 410 of the Capitol at 10 a.m. The meeting was called to order by Chairman Allen C. Kolstad.

ROLL CALL: All members were present with the exception of Sen. Gage who was excused. Also present were Sen. Jack Galt and Rep. Hal Harper.

CONSIDERATION OF SENATE BILL NO. 99: Sen. Jack Galt, Senate District 16, Martinsdale, chief sponsor of the bill, said it would require the disclosure of gemstone treatment by retail and wholesale dealers. Sen. Galt feels this is the ultimate in consumer protection. He stated that Montana has a unique product in its sapphires as it is one of the few places in the world where these natural gems can be mined and he stressed "natural". He noted that this bill would not eliminate treating stones, such as diamonds and sapphires but it would require the jeweler to give notice that the stone has been treated if he is aware of such. The jeweler would have to post a notice that he would make the customer aware whether a particular stone had been treated or not. The treatments that are done to enhance the stone but make them an unnatural stone are listed in section 1. He explained there would be no expense to the State and the only expense to the jeweler would be the cost of the sign and a statement on the receipt, if requested by the customer, whether or not the stone had been treated or if it was a natural stone.

PROPOSERS:

Lanny Perry, Vortex Mining, Utica, Montana, said he realizes the general public has no idea what goes on in the jewelry industry or what all this is about, but since the 1970's an old practice of heating stones to enhance the color has become much more prevalent in such countries as Thailand where they take colorless or milky white corundum, heat it and turn it into blue sapphires. Since he is in the sapphire business, it is to his advantage not to have to compete with what he considers a synthetic stone sold at the same price as a natural blue sapphire. He says they cannot compete with the prices and there are instances of irradiated topaz coming out of South America that have radiation levels that are actually harmful. There is also impregnation with dyes, wax and enamels which, when put next to alcohol or certain solvents, dissolve them and they are then gone. He said the public needs to be aware and have some recourse and should also know what they are buying. He said they estimated that 90% of the colored stones on the market today have been treated in one way or another and said this even includes diamonds.

Mr. Perry stressed that this doesn't just deal with sapphires but what the benefit will be to the State of Montana should SB 99 pass. Montana has the only large reserve of natural gem quality sapphires in the world and said the deposits in Australia are becoming limited and the quality of their stones is nothing compared to the Yogo sapphire. Ceylon still mines some quality gems but even some of those are being treated to enhance color. Montana stands to gain the most from SB 99. On the Eldorado Bar at Phillipsburg they find what are known as "fancy sapphires; in other words they aren't the traditional deep blue. The pinks, golds and oranges are the most valuable. If they were allowed to compete in the market place, on an even par with natural production from the rest of the world, it would encourage mining, allow someone to mine the Yogo at a profit and that would generate revenue and tax dollars for the state of Montana. He noted that the jewelry industry is the only industry in the country that is not regulated in any sense. In 1957 the FTC passed a law requiring jewelers to disclose any form of treatment that was not permanent or could in any way be harmful, however, there was no enforcement. This bill is structured so the consumers are the policing action and it is up to them to question and to police. (EXHIBITS 1, 2 and 3.)

Katie Williams, Hobson, stated that she lives next to the Yogo mining area and that part of the mining area is on National Forest land and part is privately owned. She said that area has been raped by the miners. Inter-Gem bought the mine and changed the name of Yogo Sapphires to American Royals; in this way, she said, they were able to sell some true natural gems along with heat treated gems at the same price but of different quality. She compared treated stones to blue gravel or blue glass. Ms. Williams said that because Montana has the unique natural Yogo Sapphire we should take the lead in passing a disclosure law such as SB 99 which would help identify natural, untreated stones and make customers more aware of its uniqueness and value. By accomplishing this they could be sold at a higher price reflecting their value, thus helping the Montana gemstone industry.

OPPONENTS:

Jim Adair, Helena, owner of four jewelry stores in Montana and a retail jeweler for 10 years, said he has spent a lot of time studying stones and sees some problems with SB 99. He said the bill appears to be aimed at consumer protectionism but that it really will benefit a few landowners near the Yogo Mine and a few miners at the expense of the retail stores. He said he was not opposed to the principle of disclosure, just the method as stated in SB 99. Most reputable jewelers are already disclosing facts about treated gemstones and are educating themselves and their customers. He feels that if SB 99 is passed it will be unenforceable and the customer will still opt for the cheaper stones that have been treated and as far as anyone knows,

the heat-treated sapphires will probably be the same years from now as it appears to be a permanent treatment. He also explained the oiling treatment of emeralds and how it is done. He wondered if the Legislature is adequately knowledgeable of the gemstone treatment subject to get into the middle of what is now a major issue in the industry and asked whether any hearings or attempts were made to get jewelers' input. He said he had contacted the American Gem Trade Association and felt they had some information which might be a solution to the problems of gemstone treatment which Sen. Galt is attempting to address in SB 99. The American Gem Trade Association, Gemological Institute of America, American Gem Society and the Jewelers' Vigilance Committee (four leading independent organizations of jewelers), in conjunction with the FTC have been working on a program concerning just such problems as gemstone treatments, which will be released on February 19, 1987 at the New York Jewelry Show. The American Gem Trade Association members will be required to go along with the program and by doing so there will be some national uniformity in the industry. Mr. Adair explained to the committee that for hundreds of years stones have been treated to enhance their color; ancient Egypt oiled emeralds, Lapis Lazuli has been and still is, dyed to enhance color, Chinese wrote very specific instructions for the treatment of jade and sapphires, etc. He said the heat treatment of sapphires is absolutely undetectable by any known scientific test and if the foremost gem lab in the world can't distinguish treated stones, who in Montana can. He also asked the question concerning how this would affect the mail order catalogue business such as Spiegel's - would this discourage them from serving Montana customers if they are required to disclose treatment. He said that requiring a jeweler to post a sign regarding treatment disclosure would be negated by lines 22 and 23 on page 2 of the bill. He also referred to page 3, lines 5 through 7 dealing with the wholesaler disclosure to the independent jeweler and said that the jeweler isn't given the same consideration as the customer because it doesn't state whether the wholesaler's disclosure must be written or just verbal. Mr. Adair noted that the bill is almost verbatim to the Pennsylvania bill which has been shelved for many of the reasons stated concerning this bill. He said if the Legislature wants this to be a fair bill, they should probably set up a licensing board, test the sellers' knowledge of gemstones and the various treatments but this would be very costly to the State. The only real way that customers can rely on being treated fairly is to deal with reputable jewelers who comply with their code of ethics as stated by the Jewelers of American who, now, under the provisions of this bill, would be at a distinct disadvantage. (EXHIBIT 4)

There being no further opponents Chairman Kolstad called for questions from the Committee.

DISCUSSION OF SENATE BILL NO. 99:

Sen. McLane asked Mr. Adair if there would be, under the program discussed by Mr. Adair, any objection to getting stones from Canada, Mexico or other countries. Mr. Adair answered there would be no problem with that because presently the U.S. is the world's largest gem market. Virtually almost all of the stones that are cut in the world are cut in Thailand and brought into this country, therefore, anyone who wants to do business in this country will have to comply with their program.

Sen. Walker wanted to know if there is a clearing house in this country where stones that are brought in are identified and marked under the proposed program. Mr. Adair stated that is exactly how the process will work so when retail dealers get their stones they will already be identified. Sen. Walker then asked who would protect the wholesaler and Mr. Adair answered they are responsible for protecting themselves because many of them travel to Thailand and other countries to purchase stones directly from mines. They must be knowledgeable but as far as being protected against treatment problems, the majority of the stones they purchase are most likely untreated because the wholesalers do their own treatments.

Sen. Weeding questioned Mr. Adair who would be enforcing the national program he had mentioned and he replied that it would be the FTC (Federal Trade Commission) because those involved in gemstone trade also want the problems with gemstone treating solved.

Sen. Kolstad asked his reaction to the statement that various treatments are undetectable by any tests. Mr. Perry answered that unless his information was extremely erroneous, the Lapidary Journal states that the GIA claims that 97% of the time they can detect heat treatment, irradiation, etc. Heat treatment is not always permanent and they can revert. He also wondered why the FTC is going to enforce disclosure rules that have been on the books for over 20 years.

Sen. Williams asked Mr. Adair to read lines 7-11 on page 2 and give his interpretation. (See copy of SB 99) He said he feels that part of the bill simply keeps the honest jeweler honest but it also allows the dishonest to stay dishonest because there is no way to enforce disclosure under SB 99. Most honest jewelers are making these disclosures voluntarily.

Sen. Weeding questioned Mr. Adair about the organization he referred to as having established a code of ethics for jewelers, to which Mr. Adair replied that he was referring to a voluntary organization for the jewelers of America, of which there are about 45 members in the state. They have a two page published code of ethics covering the way business is conducted and states

that disclosure must be made concerning anything that affects the value of a stone. Mr. Adair said that all that is required to be a jeweler is have enough money to open a store; no special training or education is required.

Sen. Neuman asked if persons such as Avon salesladies would be affected by SB 99. No one could answer that question.

Chairman Kolstad asked Mr. Perry if he agreed with the statement that SB 99 is not inclusive enough in the treatments to be disclosed. Mr. Perry said that page 1, line 19: "gemstone treatment, treatment, or treated means any process or combination of processes that enhances the color or appearance of a gemstone", was all inclusive.

Sen. Galt closed the hearing on SB 99 stating that SB 99 will not affect the honest jeweler except in a positive way by requiring him to disclose treatment of a gemstone. The bill will cause no additional cost to the jeweler, customer or the State. The enforcement will be only what the customer wishes to enforce and that will be accomplished by patronizing only the honest reliable jewelers. Sen. Galt asked Mary McCue, the Committee Researcher, if there should be a statute of limitations added to the bill. She replied that it certainly could be done. He also suggested that perhaps a clause in Section 2 could be added to say that this bill only applies to gems worth \$2,000 or more, thereby not involving the cheaper jewelry.

The hearing was closed on SB 99.

Vice Chairman Neuman assumed the chair for the hearing on SB 97.

CONSIDERATION OF SENATE BILL NO. 97: Sen. Gene Thayer, Senate District 19, chief sponsor of the bill, stated the the purpose of SB 97 is to make four amendments to the current act. The first amendment is that the Montana Economic Development Board is requesting the Legislature to raise the volume ceiling from \$25 to \$50 million under the Municipal Finance Consolidation Act. The reason for this is the strong demand from local government for available funds as it is anticipated that they will very quickly reach the maximum. The second deals with the re-defining of financial institutions. Under this section the MED Board currently requires that an approved financial institution maintain an office in the state of Montana. For the issuance of industrial development bonds the MED Board would like to change the definition of a financial institution and remove this requirement. This would allow out-of-state banks to issue letters of credit and facilitate the movement of out-of-state firms to Montana who have established banking relationships with out-of-state banks. He explained that it is much more likely that such firms would be able to obtain letters of credit from banks with which they have an established relationship. The third item in this bill is to delete the bank examiner audit requirements of the Economic Development Board under the Municipal Finance Act.

That act authorizes the MED Board to issue tax exempt bonds, bond anticipation notes and other notes of the Board. The program currently includes the Montana Cash Anticipation Financing Program and the Intermediate Firm Capital Pooling. Under the Montana Capital Pool Act the Board issues bonds whereby local governments can receive term financing in anticipation of tax revenues. The bank examiners are currently required to conduct an annual audit of the loans and investments of the Board under the Municipal Financing Consolidation Act. The Auditor's office is also required to conduct an annual audit of programs under the Municipal Financing Consolidation Act. The requirement for the bank examiners' annual audit of programs under this act is not necessary. Sen. Thayer explained that the final change that takes place under SB 97 is changing the due date of the annual financial reports. The MED Board is currently required to prepare an annual report of the Montana instate investments funds by September 30 each year which includes the Board's audited financial statement. Because the Legislative Auditor's report is not provided early enough to meet the September 30 deadline of the MED Board report, the Board would like to change the deadline to December 31.

PROPOSERS:

Mr. Bob Pancich, Administrator of the Montana Economic Development Board stated they are going to be issuing their first Inter-Cap issue of bonds the first part of March which will run in the neighborhood of \$7-8 million. The reason for changing the volume ceiling fund from \$25 to \$50 million is if they issue again in each of the next two years they will run out of capacity in the biennium. He said their Cash Anticipation Program jumped from \$18 million to \$27 million after the cities and counties learned how it worked, which is a 55% increase. They anticipate a similar change occurring in the Inter-Cap Program. He said under that program they are financing the five year type installment contracts that are currently being used to finance road-graders, street sweepers, computers, etc., or anything that runs on a three to five year basis for the cities and counties. They are able to do that at a cheaper rate than what they are currently paying for leasing which can run as high as 20%. They are going to do a variable rate bond issue on the first one and this will come out around 5 3/4% which will be quite a savings to the taxpayers. He feels the key in this part of the issue is not to exclude users in their next two issues because it will pick up. He said cities and counties are going to be responsible and must budget every year for the expenditure so there should be no exposure to the State, however, they will be screening that very closely in light of CI-105. The Board of Investments will stand by to pick up or buy in if necessary and then the MED Board will, in turn, take steps to collect the funds and pay the Board of Investments off. They manage essentially three different programs that require some sort of annual report; the Municipal

Finance Consolidation Act has a date of September 30, another of their reports is due September 1, and they would like a common date for all reports. They also have difficulty in getting the Auditor's report before the deadlines because certain information is not available in time for the Auditor's office. He then explained that the MED Board has gone before the Montana Bankers Association because they wanted them to be aware that the MED Board was looking at changing the financial institution definition which concerns maintaining an office in the state of Montana. The Bankers Association seems to have no problem with that portion as long as it deals with the bonding section of the law. He assured the Committee that the change in definition would be only on the bonding section of the law and does not deal with the coal tax trust money. He stated that one of the big problems which they have seen in the past is out-of-state developers wanting to come in and use their bonding program; they are required to get a letter of credit (part of the underwriting criteria of the MED Board) and they have been unable to establish that rapport with a Montana bank, or they are unwilling to do so because they are already established with their bank. The MED Board had an opportunity to put together a deal in the Madison Valley that would be a world-class fly fishing resort. When he traveled down to talk to these people the biggest stumbling block to this project was their having to pull up roots, come to Montana and find a bank that was willing to put up a \$1 million letter of credit. He pointed out there are not that many banks in Montana able to put up a \$1 million letter of credit. Mr. Pancich feels that in order to help create an open-door environment and bring money into Montana, the State should allow this to happen with the bonding program; allow out-of-state banks to participate in that particular program.

OPPONENTS: There were no opponents.

Vice Chairman Neuman called for questions from the Committee.

DISCUSSION OF SENATE BILL NO. 97:

Sen. Walker asked Mr. Pancich where the money for those bonds comes from. Mr. Pancich answered that the money is out of the open market and are backed by a moral obligation but they sell bonds into the market place. With the credit of the enhancement of the Board of Investments it will probably come off as Triple A rated bond although they will be selling them unrated because of the small size. D.A. Davidson & Co. and Piper, Jaffray and Hopwood will be the underwriting firms that will be selling those bonds.

Sen. Meyer wanted to know if they required counties to tell them for what the money is to be used or if, for example, a county could use that money to pay off bed debts. Mr. Pancich answered that they would identify the purpose for the money under their Inter-Cap Program to purchase specific equipment and would probably take a lien on that equipment. If the money is for a building addition, they couldn't take a mortgage on the building but they would make sure that the entity borrowing the money had budget allocations for repayment of the money. Under the Cash Participation Program, that money is a general obligation of the community and as a result of that, if they could have issued warrants to pay the bills they want to pay, the Cash Participation Program could make money available cheaper than warrants. The first issue made money available at 2.8% to the cities, counties and school districts. The current issue is allowing them to use money on a short-term basis between tax collection periods, but it would be for the same purposes for which they would write a warrant or for any other general obligation. Sen. Meyer then asked how they would determine how much money a county is actually obligated for to the State. He cited the case of Cascade County who is not registering any warrants yet they are borrowing money from the MED to pay off debts. Mr. Pancich explained that they sign a note to an upper limit, and it's been determined through the attorneys, Dorsey and Whitney, who essentially bless the tax exempt corporates for those bonds. In that process they do check to see that the entity has the capacity to do that and they cannot sign a note for more than the capacity.

Sen. Williams said he felt that the MED Board had some idea the banking industry might object to this bill and asked if they had worked with them on this bill. Mr. Pancich answered that, as a matter of course, they take the bills being introduced to the banking community. Sen. Thayer further stated he had asked them to be sure to touch base with them to make sure there were no conflicts. Sen. Williams then asked Mr. Pancich if he knew any other groups that might oppose this legislation. Mr. Pancich answered that he didn't believe so.

Sen. Weeding asked if the bonding was limited to public entities and Mr. Pancich answered that they have two types of bonding programs. One is a pool bonding program which is for municipalities and the other is a pool bonding program for industrial development bond purposes for private purposes. The change in financial institutions deals with the private corporate bonds for industrial development bond issuances. Mr. Pancich said the Port of Butte could possibly qualify under the Industrial Development Program. He noted that the MED Board is creating a taxable bond program to replace the tax exempt program which essentially killed uses for everything except manufacturing and 501C3 Corporations or non-profit corporations which are typically nursing homes, hospitals, etc.

Sen. Thayer closed the hearing by stating that he feels SB 97 is just streamlining an act that is currently in the statutes that is beginning to work as more and more cities and towns want to avail themselves of the program. Senate Bill 97 is an attempt to expand it and ultimately those savings will come back to the taxpayer. Local governments are obviously having as many problems as the state and federal in trying to cut costs and run their departments more efficiently. He said that SB 97 gives them one more option to finance and run local government.

CONSIDERATION OF HOUSE BILL NO. 22: Rep. Hal Harper, District 44, chief sponsor of the bill, explained that HB 22 amends the Uniform Commercial Code. When a secured lender has repossessed collateral and intends to dispose of that collateral, the lender must send notice to that debtor of the time and place that the collateral is going to be disposed of. The Code now says that it must be sent to the last known address, but the problem is, how do they know the last address and how does the lender know he has complied with the law. House Bill 22 merely states that the most recent address provided by the debtor will satisfy this requirement. Rep. Harper explained that the bill was amended in the House Committee to state that the letter must be a certified letter. He feels that it is a good way to solve the problem and urged the Committees' support of the bill.

PROPOSERS:

Robert C. Pyfer, Vice President, Governmental Relations, Montana Credit Unions League, testified in support of HB 22. (EXHIBIT 5)

OPPOSERS: There were no opponents to HB 22.

DISCUSSION OF HOUSE BILL NO. 22:

Sen. Walker asked Mr. Pyfer what would happen if someone called in and left a phony change of address. Mr. Pyfer answered if there is a question of the address, it is suggested they send a certified letter to both of the addresses, old and new. He explained there are some substantial penalties for not giving notice according to the law so the lender should try very hard to comply and to document those efforts. If letters come back unclaimed the lenders go to some lengths to locate the borrower.

The hearing on HB 22 was closed.

EXECUTIVE ACTION ON HOUSE BILL NO. 22: Sen. Walker MOVED that HB 22 BE CONCURRED IN, seconded by Sen. Weeding. MOTION PASSED UNANIMOUSLY.

EXECUTIVE ACTION ON SENATE BILL NO. 97: Sen. Williams MOVED SB DO PASS, seconded by Sen. Walker. Senate Bill 97 PASSED 9-1, with Sen. Meyer voting "no".

DISCUSSION ON SENATE BILL NO. 99: Sen. Kolstad brought up the fact that the main objection which Mr. Adair had to the bill was concerning the mail order proposition which is very hard to control. Further, he felt that any mail order business was hard to control and he wasn't sure that it was necessary that they do try to control it. Sen. Walker stated that in the case of mail orders the customer gets what he pays for and anytime a purchase is made through the mail there is no opportunity to see it and thus, the customer is taking a chance. Mary McCue said that trying to have anything in the bill that would try to require interstate commerce would make it very complicated.

Sen. Neuman did not think it would be a viable bill unless there is more work on it. He was concerned about the loophole in the bill which states that a dealer only has to say he doesn't know if a stone is treated or not and felt this made the bill unenforceable. Sen. Neuman MOVED SB 99 DO NOT PASS, seconded by Sen. Weeding.

Discussion was held on the motion.

Sen. Boylan asked Sen. Williams if this bill might help the little Yogo Sapphire mining operation. Sen. Williams answered that it was slanted towards protecting the Yogo Sapphire. He restated the fact that a company bought the Yogo Sapphire Mining Operation, changed the name to American Royals which enabled them to heat treat cheap sapphires and sell them as if they were the same as Yogo Sapphires. The genuine Yogo Sapphire is the second most precious stone in the world.

Sen. Thayer felt that the bill should be narrowed down to deal with just the Yogo Sapphire rather than the whole gamut of gems. He also felt it would be pretty much unenforceable and since there is a national program coming out by the gem industry, perhaps they should wait and see what they come up with.

Mary McCue stated that it shouldn't be a legal problem going to the more specific since that was the intent to begin with but she did feel that the committee should check with Sen. Galt concerning the statute of limitations issue that was raised in their original request.

Sen. Neuman said he would withdraw his motion if the Committee wanted to work further on the bill. The members felt the bill had a great deal of merit as an attempt to help existing industry. Therefore, Sen. Newman WITHDREW THE MOTION TO DO NOT PASS. Sens. Kolstad, Williams and Walker will work with Mary McCue and Sen. Galt to make this a more viable bill.

Sen. Walker and Sen. Weeding agreed with Sen. Thayer's suggestion to try to narrow it down to the Yogo Sapphire.

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There being no further business, Chairman Kolstad adjourned
the meeting at 11:30 a.m.

The next meeting of the Business & Industry Committee will be
on Wednesday, January 21, 1987.



ALLEN C. KOLSTAD, Chairman

cl/lis

ROLL CALL

BUSINESS AND INDUSTRY

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/20/87

NAME	PRESENT	ABSENT	EXCUSED
Allen C. Kolstad, Chairman	✓		
Ted Neuman, Vice Chairman	✓		
Paul Boylan	✓		
Delwyn Gage		✓	
Harry H. "Doc" McLane	✓		
Darryl Meyer	✓		
Mike Walker	✓		
Cecil Weeding	✓		
Bob Williams	✓		
Gene Thayer	✓		

Each day attach to minutes.

NAME: Larry Perry DATE: 1-20-87
ADDRESS: Utica Mont. SENATE BUSINESS & INDUSTRY
PHONE: 423-5390 EXHIBIT NO. 1
DATE 1/20/87
BILL NO. SB99

REPRESENTING WHOM? Vortex Mining - public

APPEARING ON WHICH PROPOSAL: # 99

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: The public deserves to be aware of practices now in use in the Jewelry Industry

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

FEB. 1984

\$1.25



Lapidary Journal

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 2

DATE 1/20/87

BILL NO. SB 99

GREEN EMERALD OIL, \$25 for vial. For when your emeralds dry up on you and lose your color, for which the affluent customers are accustomed to paying \$1000 per drop! Secret formula is natural resin which slowly hardens rather than dries up, organic dye, etc. Los rayos de la luna se escondieron y a mis pasos tu fuente se ha secado. JIM'S, P. O. Box 172LJ, Louisville, Ohio 44641. For other oils, state color and refractive index desired. B52

ROCK & GEM

WPS 34565

FEBRUARY, 1987

\$1.75

Learning To
Facet

**Colored
Gemstones**

Today's
Marketplace

How They
Are "Treated"

Tourmaline

Tin Can Flat
Jasper

Staurolite



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BCX 345
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Exhibit 3
1/20/87
SB 99

Gem Treatment

A SENATE BILL IN PENNSYLVANIA COULD END THE ILLICIT "ENHANCING" OF GEM MATERIALS

PHOTOS: GEMOLOGICAL INSTITUTE OF AMERICA

by STEVE VOYNICK

The 1980s have brought increasing debate over the widespread practice of artificially treating colored gems and gemstones to enhance their color, and thus their marketability and ultimate value. Previously, the debate existed only behind the closed doors of gem importers, dealers, jewelry manufacturers, and retailers. But now the debate has escaped the control of the gem trade; the controversial gem treatment issue, with its complex maze of major ethical, legal, and economic ramifications, has gone public. The focus of attention is a Pennsylvania Senate bill calling for mandatory disclosure of all gem treatments to the retail consumer. Even though this bill has not yet been voted on, the writing is on the wall: everyone involved with gems, from the retail jewelry consumer, gem collector and jewelry craftsman, to the lapidary, should be aware that the results of the gem treatment debate will have a profound effect upon colored gem prices and markets in the not distant future.

Virtually no gem types have escaped enhancement through artificial means. Examples include the heating of sapphire, amethyst, and some ruby; oiling of emerald; laser burning of diamond; and irradiation of topaz. Most attention has centered on heated blue sapphire.

Basic knowledge of the gemological and historical background of sapphire treatment is necessary to understand the current treated sapphire controversy. Most gemologists agree that the color shift in a heated sapphire is the result of both chemical and physical change. Sapphire, along with ruby, is crystalline corundum, or aluminum oxide. Pure corundum is colorless; colors are created by the presence of trace elements called "chromophores." In blue sapphire, the chromophores are iron or titanium, or both. Quite often, the geological creation process provided insufficient heat to create the correct ionic state of the chromophores, or proper distribution through the crystal lattice, that would produce a desirable blue color. Artificially heating the sapphire nearly to its melting point will sometimes alter the covalent bonds of the iron and/or titanium oxides present and better distribute them, resulting in a more intense and beautiful

blue color. In sapphire heat treatment, nothing is synthesized, added, or removed. Theoretically, the stone is merely given the heat it did not receive in nature.

How can such a simple process generate such controversy? That answer is found in the history of sapphire treatment and recent departures from tradition. Heating has been employed for centuries to intensify the blue of sapphire and to reduce the common green-blue tinge in ruby. Heating was never a standard or routine practice, however; it was employed occasionally to enhance the color of already beautiful and unusually valuable gemstones.

Attitudes began changing in recent decades when other gems were routinely heated to prepare them for marketing. Since World War II, virtually all the aquamarine sold in this country has been heated to reduce the yellow color component. The result is the classic, clean, highly desirable "aquamarine blue" which consumers now expect, rather than the green-blue of most natural aquamarine.

While artificial heating merely enhances the beauty of aquamarine, it may totally alter the color of other stones. Consider zoisite, a basic calcium aluminum silicate somewhat similar to epidote, which most often occurs naturally in unappealing colors ranging from yellow-greens to purple-browns. Heating, however, can produce deep, lovely blue characteristics of the best sapphires. The treated zoisite is marketed as "tanzanite" at prices commensurate with its artificially created beauty.

Since such heat treatment affected not only color, but the value of gems, the Federal Trade Commission (FTC), in the interest of consumer protection, addressed the matter of disclosure. In its 1957 "Jewelry Industry Trade Practice Guidelines," the FTC declared that treatment disclosure was required only (1) if the treatment was impermanent, or (2) if the treatment could be detected by a gemological laboratory. Treated aquamarine and zoisite, both considered permanent and non-detectable, became "acceptable" and "traditional" — and the precedents for an unofficial, industry-wide policy of general non-disclosure. The relatively small number of heated sapphires easily slipped into the markets under the unofficial non-disclosure umbrella.

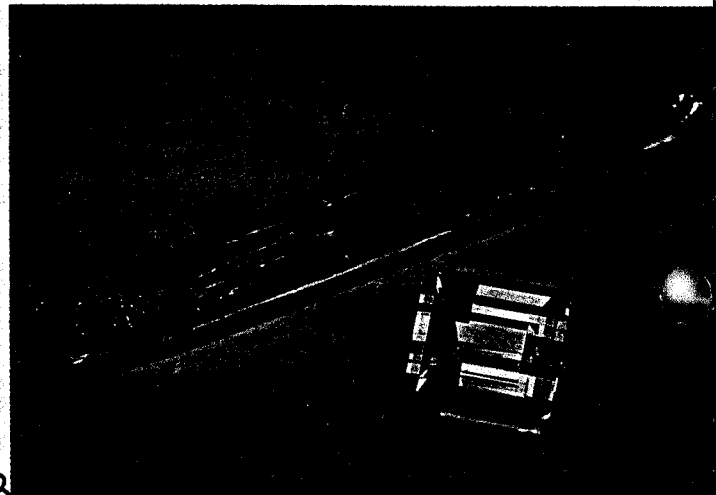
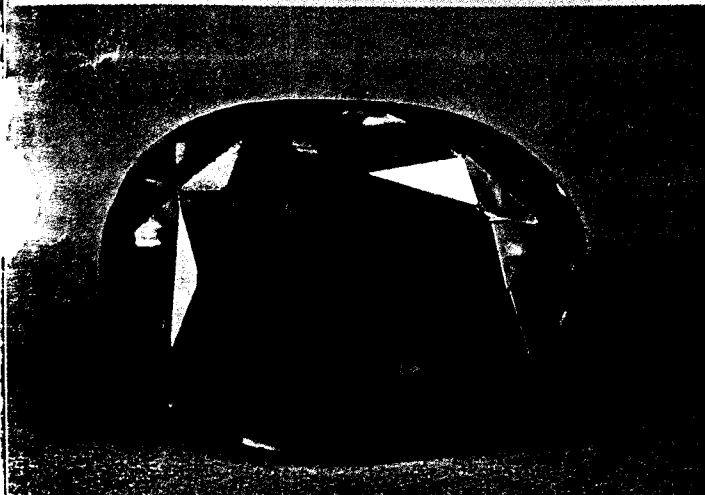
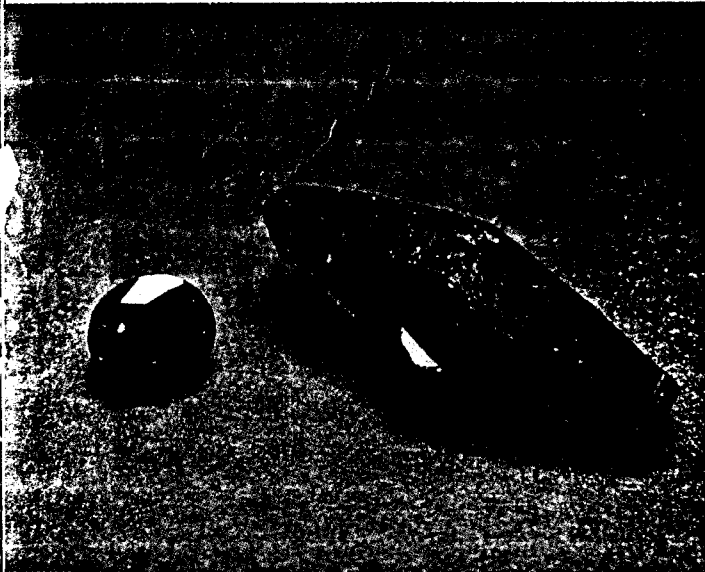
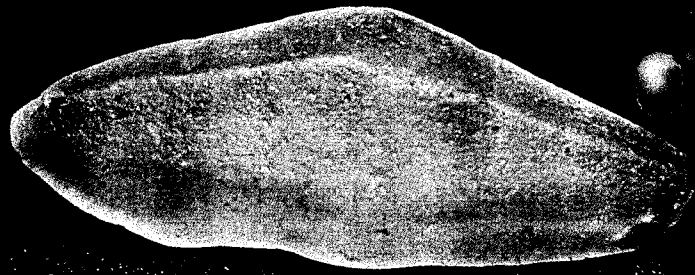
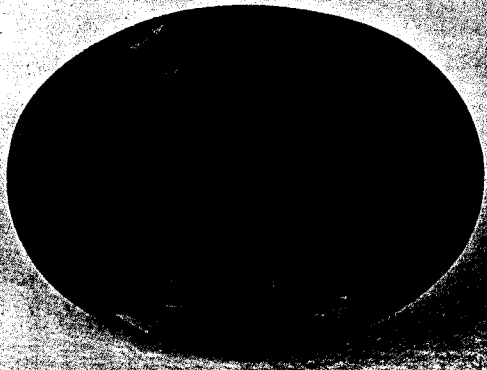
In the 1970s, however, a turbulent world economy began driving the price of gold and precious gems upward, and the tradition of occasionally heating sapphires changed radically. In Bangkok, Thailand, the world center of sapphire cutting and marketing, Thai gem merchants realized they could no longer meet the booming demand for quality blue sapphire. Although sapphire production was high, relatively few stones were of the classic blues that brought top dollar on U.S. and European gem markets. Australia, which produced nearly half of the world's sapphires, offered stones that were exceedingly dark and usually tinged with greens and yellows. Sri Lanka produced sapphires in a broad range of colors, few of which were the favored "cornflower" and "Kashmir" blues. Many Sri Lankan sapphires were geuda, stones with a milky-white color and very little market value. By the mid-1970s, enterprising Thai gem merchants learned that mass-heating geuda could produce quantities of marketable blue sapphires. What followed was inevitable.

The Thais descended upon Sri Lanka to buy all the dirt-cheap geuda they could get their hands on. Back in Bangkok, the geuda was heated and, if necessary, heated again. Much was ruined, but the rest emerged from the ovens as blue sapphire ready for the cutters. When the Sri Lankans figured out what was happening, they sharply increased the price of geuda; by 1980, it nearly equalled that of natural blue sapphire roughs. But the Thais had already pulled off one of the greatest financial killings in gem trade history. They had bought millions of carats of cheap geuda — long considered to be nothing more than "junk" — and, with a little heating, turned much of it into high-priced, blue gem sapphire.

The original Thai heating methods were crude and best described as "art" rather than "science." Each Thai gem merchant

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Top left, much natural tanzanite is brown, but heat treatment will alter it to blue. Top right, Geuda sapphires from Sri Lanka were worth little until Thai cutters found heat would turn them blue, as shown left center. Center right shows stress fractures in heat-treated sapphire. Lower left, a heat-treated Geuda sapphire at its best. Lower right, heating natural aquamarine cancels out the yellow component, leaving stone an attractive blue. Photos courtesy of Gemological Institute of America.





GEM TREATMENT

Continued from page 28

had his own style of "kitchen," makeshift oven, and table of times, temperatures, and related tricks. Successful techniques were zealously guarded. Heated sapphires were, and still are, said to be "cooked" or "burned," terms that accurately describe the haphazard heating approaches.

Inspired by their success and profit with *geuda*, the Thais soon learned that heating could sometimes reduce the intensity of the dark Australian stones. Suddenly, heat treating, once the exception, had become the norm. By 1980, well over 90 percent of all blue sapphires on the market had been burned, yet few, if any, consumers were ever told. The gem trade plainly considered the mass-heating of sapphires to be both acceptable and traditional; furthermore, since sapphire heating was perma-

nent and non-detectable, there was no technical or legal reason for disclosure.

But the boat was already beginning to rock. In 1981, the American Gemological Laboratories announced it could detect treated sapphires 97 percent of the time. Noting that 97 percent of the time was not all the time, gem trade associations still said disclosure was not warranted. Even more disturbing was the issue of permanency. One prominent and highly-respected New York City gem dealer, Reginald C. Miller, reported at a gemological symposium that he had personally witnessed treated sapphires reverting back to their original colors. Some gemologists advanced the idea that given the haphazard Thai cooking recipes, it was simply too soon to tell if all that cooked *geuda* would remain stable in 15 or 20 years.

There was also a serious ethical question involved. The three factors giving any

ROCK & GEM

The problem with treated gemstones is not that they aren't very attractive, but that the value attached to rarity is altered.

precious gem its value are beauty, durability, and rarity. Before the 1970s, sapphire prices were a direct reflection of a supply-and-demand market. The classic blues, quite rare in nature, were logically the most valuable. Yet the gems produced by the Thai mass-heating of cheap *geuda* were being sold at the same basic prices as natural blue sapphire. The element of rarity had plainly been tinkered with. Unlike natural blue sapphire, the going market value of treated *geuda* was not at all based on rarity. Was it ethical to charge the consumer the same price for treated *geuda* as for the natural blue sapphire?

Treated sapphires had expanded both supply and demand, and were stocked by virtually every wholesale dealer and retail jeweler. Inventories of treated sapphires, along with oiled emeralds, dyed opaque stones, and irradiated topaz, amounted literally to hundreds of millions of dollars. The gem trade left the matter of disclosure up to the retailer, the individual who knew the least about whether the stones had been treated or not.

Consumers, of course, had been excluded from the gem trade's treatment disclosure debate. Those consumers had one major commonality: almost all were gemologically ignorant. What gems they purchased were based upon personal preference and taste, price, and what their jeweler told them. The jeweler, therefore, was not a mere salesperson, but an individual of trust, responsibility, and credibility.

The most frequent consumer concern was simply whether a gem was "real." Whether a particular gem is a burned sapphire, oiled emerald, or irradiated topaz, the jeweler's honest answer can still be: "Yes, certainly it's real." But a "real" gem to most consumers is a perfectly natural (with the single exception of cutting and polishing) mineral crystal with all of its inherent romance, mystique, and rarity — not a gem that has been heated, dyed, or bombarded with neutrons. If the consumer really wanted a gem that represented man's technological or artificial creativity, he or she could purchase a much less expensive synthetic gem. Whether the gem trade chose to admit it or not, most consumers *assumed* that the "real" gems they were buying from their trusted jeweler were completely natural.

By 1982, the gem trade was in a very awkward and potentially embarrassing position, caught between enormous inventories of treated gems and an unwillingness to disclose the facts of treatment. That year, Intergem, Inc., began mining,

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GEM TREATMENT

Continued from page 31

cutting, and marketing Montana Yogo sapphires — the only sapphire in the world that could be certified *en masse* as completely natural. In an intensive, national advertising campaign, Intergem promoted its stones as "the world's only guaranteed untreated sapphire." For the first time ever, consumers had a choice. If Intergem's stones were "certified natural," then just what were all the others? — a question more and more jewelers had a tough time answering.

Intergem, a maverick company that made few friends in the gem trade, took the stand that there was nothing wrong with gem treatments — as long as the treatment was disclosed. As the gem trade grew increasingly uncomfortable, a succession of events occurred that brought the treatment issue into the public eye. In August, 1984, the controversy about treated sapphires hit the front page of the *Wall Street Journal*. An article in the *Economist* called treated sapphires "artificial sapphires," and mentioned that few dealers gave a discount on them. The manufacturers of synthetic gems increased their clamor that dealers in natural gems make full treatment disclosure. Then, in January, 1985, New York gem dealer Reginal Miller challenged the gem trade with this national ad: *Reg Miller believes there is a difference between treated and untreated sapphires! Do you? Fine jewelers build their reputations on the quality and reliability of their stones, not their low prices. And, only untreated natural color sapphires can truly be considered "fine."* Finally, consumer advocate and television reporter Herb Denenberg of WCAU-TV (Philadelphia) took the gem treatment controversy directly to the public in a television expose.

The consequences of the large public response shocked the gem trade on May 6, 1985, when Pennsylvania State Senator Steward J. Greenleaf introduced legislation calling for mandatory full disclosure of all gem treatments to consumers — the first legislation in the United States to address gem treatment as a consumer issue. If passed, the bill will make it illegal to sell a treated gem to a consumer without full disclosure of the treatment. The bill does not provide for criminal penalty, but for civil action "to recover the price paid for the gemstone, any costs incurred in determining that the gemstone had been treated and further damages in the amount of 10 percent of the purchase or \$200, whichever is greater."

The gem treatment proposal, Bill 827, along with a related Bill, 734, which would forbid appraisers to charge fees based on the value of the stone they appraise, were sent to the Senate Consumer spring, 1986, at Harrisburg, Pennsylvania, it was revealed that no one was fully aware of the enormous extent of gem treatments and, also, that the jewelry industry guidelines

GEM TREATMENT

Continued from page 32

had never been enforced a single time in nearly 30 years. Six jewelry industry spokespersons and retail jewelers actually came forward to plead for passage of the disclosure bill.

The Senators sitting on the Committee clearly favored passage of the disclosure bill. Now shelved for refinement, the gem treatment disclosure bill is expected to be back for a vote in 1987. The gem trade, both in the United States and abroad, are keeping a close eye on the events in Pennsylvania. As *National Jeweler*, a leading jewelry trade journal, pointed out, many in the industry feel that "as Pennsylvania goes, so goes the nation." Pending the outcome of vote in Pennsylvania, other states are almost certainly expected to introduce similar legislation on gem and jewelry industry practices, especially the matter of disclosure of gem treatments. If passed, the Pennsylvania disclosure bill and those likely to follow, will affect everyone involved in buying, selling, collecting, or working with colored gemstones and gems. To begin, the bill, when it becomes law, will establish a legal difference between treated and untreated gems. The next step will be inevitable: creation of an economic difference through a two-tier price structure with untreated, or "natural," gems commanding the premium price.

Pennsylvania will be the first state to pass a bill making the retailers and wholesalers responsible for informing the buying public of every gemstone's "naturalness."

Many retailers and gem importers have traditionally felt that disclosure is impractical, since there was no positive way to determine if many gems had indeed been treated. But a huge amount of research into treatment detection has been performed in the last six years. The Geological Institute of America is currently perfecting a comprehensive system of tests that will be able to detect virtually known treatments.

Among the specifics proposed by a retail jeweler for inclusion in the bill is disclosure of the radiation count of irradiated gems, such as topaz.

If there is any question of the economic significance of passage of the disclosure bill, the suggestion has already been made for a moratorium of one or two years. Jewelers and dealers can sell off old inventory." In other words, as one Denver jeweler says, "There are going to be some very turbulent times ahead for the market value, that is, the real dollar value, of gem inventories."

The image and credibility of the gem industry has already been tarnished by failure to meet the gem treatment disclosure openly and honestly. The public has now learned about treated gems through the unfortunate channels of magazine and television investigative reports and consumer protection legislation.

When it comes to treated gems, the writing is on the wall. Anyone involved in any aspect of buying or selling precious or semiprecious gems would be well-advised to keep abreast of developments in the gem treatment disclosure controversy. Remember, the days when "a sapphire is sapphire" are about over.

LEGEND

Describing the type of enhancement. These treatments are in addition to normal trade practices of cutting and polishing gemstones for enhancement of appearance.

- A Indicates a variety of acceptable enhancement practices customarily used in the gemstone trade. The particular type of treatment is described for each gemstone.
- C Surface color improved by coating using various methods such as; diffusion, lacquering or other applications.
- D Dyeing by addition of coloring matter to a gemstone either to give a new color, heighten an old one or improve color uniformity.
- F Visible cavities filled with glass or plastics.
- I Impregnation is the infusion of a colorless substance such as; plastic, paraffin or wax into gemstones to mask small cracks, improve appearance or heighten color.
- L Lasering is the use of deep penetration, high energy light on a gemstone to reduce the obviousness of undesirable inclusions.
- O Oiling with colorless oil only to mask and fill voids and brighten colors.
- Q Treatment by a combination of lasering and irradiation.
- R Irradiation is the use of high energy bombardment to alter and improve a gemstone's color.
- S Stabilization is the chemical bonding of a gemstone with a colorless substance such as plastic to improve durability and mask tiny cracks.
- W Creation of a "star" by artificial means such as; diffusion, etching or engraving.
- X Indicates that the gemstone has received no treatment for enhancement of its appearance.
- * A tag may show an * to indicate that the gemstone which customarily receives an acceptable treatment (A) has in fact received none and there is available documentation to support that fact.

Stability *

- Excellent: Presents no problem in routine wearing.
- Good: Seldom presents a problem in routine wearing.
- Fair: Occasionally presents a problem in routine wearing.
- Poor: May present a problem in routine wearing.

*The quality of stability shown assumes only normal conditions of wear or display.

ENHANCEMENT DISCLOSURE STATEMENT RECOMMENDED

FOR AGTA MEMBER'S INVOICES AND/OR MEMORANDUMS

All gemstones listed on this invoice (memo) are in their natural state but for:

1. cutting and polishing
2. enhanced in accordance with acceptable trade practices
3. and/or other methods of enhancement.

These are described in the Jeweler's Gemstone Master Reference chart endorsed by the American Gem Trade Association, Inc. Methods of enhancements other than X, or A, as listed on the chart, will be indicated with a letter of the alphabet in correlation to the legend used with the chart.

NOTE: The enhancement disclosure, type style and size, must be in accordance with applicable laws and regulations.

JEWELER'S GEMSTONE MASTER REFERENCE CHART

Endorsed by American Gem Trade Association, Inc. - AGTA

Page: 1

Gemstone	Method of Enhancement (if any)	Stability	Jewelry Tag Use only One Letter	Consumer Care - Special Advice
Alexandrite	X No known treatment.	Excellent	X	
Amber	A Sometimes heated to remove cloudiness, add "sun spangles" and deepen color. D Dyed to change color.	Good to Very Good Good to Very Good	A D	Avoid contact with household chemicals. Protect from sharp blows. Do not clean with ultrasonic cleaner.
Amethyst	A Sometimes heated to lighten overly dark stones.	Excellent	A	
Andalusite	X No Known treatment.	Excellent	X	
Aquamarine	A Often heated to remove green and intensify blue.	Excellent	A	

Gemstone	Method of Enhancement (if any)	Stability	Jwelry Tag Use only One Letter	Consumer Care - Special Advice
Citrine	A Usually produced by heating various quartzes.	Excellent	A	
Coral	A Usually no treatment. White normally bleached D Dyed for color depth and uniformity	Excellent Good to Very Good	A D	Avoid contact with cosmetics or household chemicals and exposure to prolonged sunlight. Do not clean with ultrasonic
Chrysoberyl	X No known treatment.	Excellent	X	
Diamond: Colorless Colored	X Usually no treatment. L Lasered to turn black inclusions colorless. X Usually no treatment. R Off-white diamonds are irradiated to induce various shades of green, yellow, brown and blue. Q Both lasered and irradiated	Excellent Excellent Excellent Excellent Excellent	X L X R Q	

JEWELER'S GEMSTONE MASTER REFERENCE CHART

Endorsed by American Gem Trade Association, Inc. - AGTA

Gemstone	Methods of Enhancement (if any)	Stability	Jewelry Tag Use only One Letter	Consumer Care - Special Advice
Emerald	<p>A Usually oiled with colorless oil to fill voids</p> <p>D Dyed with colored oil to improve color.</p> <p>C Use of surfacr color coatings.</p>	<p>Good</p> <p>Fair to Good</p> <p>Poor</p>	<p>A</p> <p>D</p> <p>C</p>	<p>Avoid exposure to sudden temperature changes. Protect from sharp blows. Do not clean with ultrasonic cleaner.</p> <p>" " "</p>
Garnet: All Colors	<p>X No known treatment.</p>	<p>Excellent</p>	<p>X</p>	<p>Avoid exposure to sudden temperature changes.</p>
Iolite	<p>X No known treatment.</p>	<p>Excellent</p>	<p>X</p>	
Ivory	<p>A Usually bleached to whiten and remove discoloration.</p> <p>D Dyeing to impart antique appearance.</p>	<p>Good to Very Good</p> <p>Good to Very Good</p>	<p>A</p> <p>D</p>	<p>Avoid exposure to sudden temperature changes. Protect from Sharp blows. Do not clean with ultrasonic cleaner.</p>
Jade: Jadeite (Green, Light Green, (Light Green & White))	<p>X Often no treatment.</p> <p>D Dyed to imitate natural color.</p>	<p>Excellent</p> <p>Fair</p>	<p>X</p> <p>D</p> <p>R</p>	<p>For dyed stones avoid contact with household chemicals, exposure to intense light or heat. Do not clean with ultrasonic cleaner.</p>

Gemstone	Methods of Enhancement (if any)	Stability	Jwelry Tag Use only One Letter	Consumer Care - Special Advice
Jade: (Cont'd) Nephrite	X Usually no treatment. D Dyed to imitate natural color.	Excellent Fair	X D	For dyed stones avoid contact with household chemicals, exposure to intense light or extreme heat. Do not clean with ultrasonic cleaner.
Kunzite	X Often no treatment. R Irradiated to intensify color.	Fair Fair	X R	Avoid extended exposure to any light. Protect from sharp blows.
Lapis Lazuli	X Often no treatment. D Dyed for color depth and uniformity.	Excellent Poor	X D	For dyed stones, avoid contact with cosmetics and household chemicals.
Onyx (Chalcedony)	A Usually dyed to produce jet black color.	Excellent	A	
Opal: Black & Semi-black (or grey)	X Usually no treatment	Good	X	Avoid exposure to high heat and household chemicals. Protect from sharp blows. Do not clean with ultrasonic cleaner.

Gemstone	Method of Enhancement (if any)	Stability	Jwelry Tag Use only One Letter	Consumer Care - Special Advice
Ruby	<p>A Usually heated to improve color and appearance.</p> <p>D Dyed with colored oil to improve color.</p> <p>F Use of glass and plastics to fill voids.</p> <p>C Use of surface color coatings.</p>	<p>Excellent</p> <p>Fair to Good</p> <p>Poor</p> <p>Fair to Good</p> <p>Excellent</p> <p>Fair to Good</p>	<p>A</p> <p>D</p> <p>F</p> <p>C</p> <p>X</p> <p>W</p>	<p>Avoid use of ultrasonic cleaner.</p> <p>Avoid sharp blows.</p> <p>Avoid use of ultrasonic cleaner.</p> <p>Avoid use of ultrasonic cleaner.</p>
Star Ruby	<p>X Often no treatment</p> <p>W Variety of surface treatments which create "star appearance".</p>	<p>Excellent</p> <p>Fair to Good</p>	<p>X</p> <p>W</p>	<p>Avoid use of ultrasonic cleaner.</p> <p>Avoid use of ultrasonic cleaner.</p>
Sapphire	<p>A Usually heated to produce or intensify color and occasionally to lighten dark stone.</p> <p>C Use of surface color coatings.</p> <p>K Irradiation of yellow or orange stones to improve intensity and color.</p>	<p>Excellent</p> <p>Poor</p> <p>Poor</p> <p>Excellent</p> <p>Fair to Good</p>	<p>A</p> <p>C</p> <p>R</p> <p>X</p> <p>W</p>	<p>Avoid use of ultrasonic cleaner.</p> <p>" " "</p> <p>Avoid use of ultrasonic cleaner.</p>
Star Sapphire	<p>X Often no treatment.</p> <p>W Variety of surface treatments which create star appearance.</p>	<p>Excellent</p> <p>Fair to Good</p>	<p>X</p> <p>W</p>	<p>Avoid use of ultrasonic cleaner.</p>
Spinel	<p>X No known treatment.</p>	<p>Excellent</p>	<p>X</p>	

JEWELER'S GEMSTONE MASTER REFERENCE CHART

Endorsed by American Gem Trade Association, Inc. - AGTA

Gemstone	Method of Enhancement (if any)	Stability	Jwelry Tag Use only One Letter	Consumer Care - Special Advice
Tanzanite	A Usually heated to produce a permanent violet-blue color.	Excellent	A	Protect from sharp blows and exposure to sudden temperature change.
Topaz: Blue	A Usually irradiated and heated to produce blue color. Irradiation is a relatively new practice.	Excellent	A	Protect from sharp blows
Yellow, Red and Orange	X Usually no treatment.	Excellent	X	Protect from sharp blows
Pink	R Sometimes irradiated to intensify color. A Sometimes heated to eliminate orange and intensify pink.	Fair Excellent	R A	Protect from sharp blows and exposure to high heat and intense light. Protect from sharp blows.
Tourmaline: Chrome	X No known treatment.	Excellent	X	
Tourmaline: Cat's Eye	X No known treatment.	Excellent	X	

Gemstone	Method of Enhancement (if any)	Stability	Jwelry Tag Use only One Letter	Consumer Care - Special Advice
Tourmaline	A Often heated to remove unwanted colors and lighten dark stones.	Excellent	A	
	R Irradiated to intensify color.	Fair	R	
Tsavorite: (also known as green garnet)	X No known treatment	Excellent	X	Avoid exposure to sudden temperature change.
	X Sometimes no treatment.	Fair	X	Protect from sharp blows and contact with cosmetics and household chemicals.
Turquoise	S Stabilized with plastic to improve durability and color.	Good to Very Good	S	
	I Impregnated with wax or a similar substance to improve color depth.	Fair	I	" "
	D Dyed to improve color.	Good	D	" "
Zircon: Yellow & Brown	X No known treatment	Excellent	X	Protect from sharp blows.
	A Usually heat treated to produce blue or render colorless.	Good	A	" "

CONSUMER INFORMATION CARDS PROPOSED BY MODERN JEWELER

Modern Jeweler proposed consumer information cards for the following 24 gemstones:

Amber	Onyx
Amethyst	Opal
Aquamarine	(Cultured) Pearl
Citrine	Peridot
Colored Diamond	Ruby
Coral	Sapphire
Diamond	Tanzanite
Emerald	Topaz
Garnet	Tourmaline
Ivory	Tsavorite
Jadeite	Turquoise
Lapis Lazuli	Zircon

Additional cards for the following gemstones need to be developed:

Alexandrite	Jade-Nephrite
Andalusite	Kunzite
Chrysoberyl	Pearl (Natural)
Iolite	Spinel

Attached is Modern Jeweler's Consumer Information Card layout.



CONSUMER INFORMATION CARDS

To make sure that gemstone purchasers receive information about gemstone enhancement, as well as specific gem-care instructions, Modern Jeweler has prepared individual take-home cards for each of the 24 gems covered in its "selected gemstone" list. These cards will serve as permanent record and perpetual reminder of important product information given at the time of sale. The card texts, written by MJ Executive Editor David Federman, follow.

AMBER

Congratulations on your purchase of amber jewelry.

Amber is a pre-historic tree sap that has had at least 30 million years to fossilize—either in seabeds or underground. In its original form, this sap was very sticky and acted as an insect and vegetation trap. Hence bugs and leaves are sometimes found encased in amber.

Many pieces of amber are heated to remove cloudiness, add desirable "sun spangle" inclusions and deepen color.

Your amber jewelry will give you many years of wearing pleasure if cared for properly. It is best cleaned professionally by your jeweler. But if home-cleaning is necessary, just wipe with a soft cloth. Do not clean with a home ultrasonic machine. Avoid contact with household chemicals. Protect from scratching and sharp blows.

AMETHYST

Congratulations on your purchase of amethyst jewelry.

Amethyst, the birthstone for February, is a very affordable gem that symbolized a variety of virtues, including piety and humility, to the ancients. The gem's name is derived from the Greek word *amethystos*, which means "to prevent drunkenness." No wonder the Greeks loved to drink wine from amethyst cups!

Some very dark amethysts are heated to permanently lighten their color.

Your amethyst jewelry will give you many years of wearing pleasure if cared for properly. It is best cleaned professionally by your jeweler. But if home-cleaning is necessary, use lukewarm water with a mild, soapy solution or jewelry cleaners. To maintain your gem's brilliance, clean with a small bristle brush, especially on the back where dirt collects.

AQUAMARINE

Congratulations on your purchase of aquamarine jewelry.

Aquamarine, as the name implies, refers to water, hence its long association with the tranquil blue of the sea. The largest gem ever found (weight 220 pounds) was an aquamarine that yielded 200,000 carats of cut stones. Aquamarine, the birthstone for March, belongs to the same gem family, beryl, as emerald.

Most aquamarines are heated to remove green and permanently intensify their blue color.

Your aquamarine jewelry will give you many years of wearing pleasure if cared for properly. It is best cleaned

or jewelry cleaners. To maintain your gem's brilliance, clean with a small bristle brush, especially the back where dirt collects. Do not clean with a home ultrasonic machine.

CITRINE

Congratulations on your purchase of citrine jewelry.

Citrine is a very abundant and affordable quartz gem. Often mistaken for yellow and golden topaz, it has now become an alternative November birthstone to the gem it so strongly resembles.

Virtually all citrines started life as amethysts or other quartz family members. Long ago, it was discovered that heating these stones produced various permanent earth colors ranging from honey-yellow to madeira-red. Ever since, the resulting stones have been called "citrines."

Your citrine jewelry will give you many years of wearing pleasure if cared for properly. Jewelry is best cleaned professionally by your jeweler. But if home-cleaning is necessary, use lukewarm water with a mild, soapy solution or jewelry cleaner. To maintain your gem's brilliance, clean with a small bristle brush, especially on the back where dirt collects.

COLORED DIAMOND

Congratulations on your purchase of colored diamond jewelry.

Diamond, the birthstone for April, is the hardest and most brilliant of gems. Known primarily as a white stone, diamond also occurs in natural colors called "fancy colors." These diamonds are among the most coveted and valuable of all gems.

Because natural "fancy color" diamonds are so rare and expensive, man has found a way to expand the supply and variety of colored diamonds by safely irradiating them to produce a variety of permanent colors that includes yellow, green, brown and blue.

Your colored diamond jewelry will give you many years of wearing pleasure if cared for properly. It is best cleaned professionally by your jeweler. But if home-cleaning is necessary, use jewelry cleaners or lukewarm water with a mild, soapy solution. To maintain your gem's brilliance, clean with a small bristle brush, especially on the back where dirt collects. While diamond is the most scratch-resistant of all gems, it should be protected from sharp blows that can cause chipping.

CORAL

Congratulations on your purchase of coral jewelry.

Coral is an organic substance produced by tiny plant-like sea animals that live in colonies reminiscent of those that built the famous coral reefs. However, the coral used in your jewelry did not come from a reef but a much smaller and less common form of coral growth.

Some pink and red coral has been dyed to improve the depth and uniformity of its color. In addition, some corals

cc: AGTA Board
AGTA Industry Rules Committee
Joel Windman
Bob Jones



blcc: Jane Everhart

March 24, 1986

Senator Clarence D. Bell
Senate Post Office, Room 286
Harrisburg, PA 17120

Subject: The General Assembly of Pennsylvania
Senate Bill No. 827

Dear Senator Bell:

I returned from a business trip just today to find your memo of March 11th, which did not offer enough time to fully elaborate the American Gem Trade Association's opposition to the proposed Senate Bill No. 827.

We do not support the passing of the proposed bill for the following reasons:

1. The passing of the bill would require disclosure of shaping, cutting, carving, polishing and cleaning of gemstones. These treatments have been acceptable traditional trade practices since the beginning of the gemstone trade.
2. Other man-made treatments like bleaching, heating and irradiation cannot be proven scientifically since similar occurrences exist in nature. The disclosure of this type of treatment would also be required with the proposed Bill No. 827. It would be impractical to impose disclosure that also occurs in nature, when in fact, it is impossible to distinguish one from the other. (A large percentage of gemstones sold today fall in these categories)
3. The passing of Senate Bill No. 827 would provide no protection to a dealer who sells a gemstone which has not received any man-made treatment; oiling and dyeing for example. One could easily have a non-enhanced gemstone treated at any given time after the sale, and bring civil action against an innocent retail or wholesale dealer.

Enclosed is my letter to you of June 18th, 1985 concerning this subject. I sincerely regret that time did not offer me an opportunity to appear in person. We would appreciate a copy of any records regarding the Public Hearing of March 25th should one be available.

Sincerely,


Roland Miftule
Chairman Industry Rules Committee

RN:nz
Enclosure

HOUSE BILL 22

Testimony of Robert C. Pyfer
Vice President, Governmental Relations
Montana Credit Unions League

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 1/20/87
BILL NO. HB 22

Before the Senate Business and Industry Committee

January 20, 1987

Mr. Chairman and members of the Committee, for the record, I am Bob Pyfer, Vice President, Governmental Relations for the Montana Credit Unions League. The League is a trade association representing 109 of Montana's 111 credit unions.

We appear in support of HB 22. The Uniform Commercial Code provides that a lender who has repossessed collateral after default must give notice to the defaulting debtor of the time and place that has been set for sale of the collateral to satisfy the loan. This is because the debtor has the right to redeem the property by paying off the loan any time before the sale takes place. This bill would merely make it clear that a secured lender's letter to the last known address given by the debtor is sufficient notice of intent to sell, retain, or otherwise dispose of collateral after default. Basic fairness dictates that a defaulting borrower should have the burden of notifying his lender of any change of address. In a repossession situation, the fact of the repossession itself gives the defaulting borrower vivid notice that the collateral is highly likely to be sold. He knows that it will probably be sold in the near future to satisfy the loan. It only makes sense that if he wants the written notice of time and place of sale sent to him at a new address, he should have to notify the lender of the new address. In fact, this is the policy of the Uniform Commercial Code (UCC) as interpreted in Dulan v. Montana National Bank of Roundup, 661 P2d 28 (1983). Then you may ask, why is HB 22 needed? The bill would codify Dulan and make

sure that this fairness principle would be followed in all cases covered by Sections 30-9-504 and 30-9-505 of the UCC.

The Dulan case involved a complicated factual situation as well as certain other issues. A few cases from other states tend to indicate that a lender must take additional steps to track down a defaulting borrower if a letter giving notice of time and place of sale of collateral is returned unclaimed. See Mallicoat v. VF&L Corp., 415 SW 2d 347 (Tenn. 1966) and Day v. Schnectady Discount Corp., 611 P2d 568 (Ariz. 1980). The burden of proof is on the creditor to show that notice is reasonable. Farmers' State Bank v. Mobile Homes Unlimited, 181 Mont 342 593 P2d 734 (1979). The UCC (Section 30-9-507) imposes substantial penalties on a creditor for violating the notice provisions. For these reasons, in order to avoid being "stung on a technicality," a prudent lender may go to considerable time and expense to locate the delinquent borrower who has "skipped town"--an expense which ultimately must be passed on to the good credit union member or other good client or consumer customer. Clearly, when a notice letter is returned unclaimed, the lender knows that it was not actually received, but the lender should not have to play detective to track down a debtor who knows that the collateral has been repossessed and is likely to be sold.

Recently, a Great Falls credit union was subjected to the time and expense of litigation in a case where a husband and wife signed jointly on a loan. They then defaulted on the loan. The credit union subsequently repossessed the collateral. Soon thereafter the couple separated and the wife moved out. The credit union sent notice of sale to the couple's address as given on the loan documents. The wife had not given the credit union a change of address. The wife claimed that the notice to her was defective, attempting

to deny the credit union recovery with penalties to the credit union. The credit union won the case, but incurred considerable time and expense. The case did not go to the Supreme Court so no definitive ruling is likely to be forthcoming from the court. Therefore, HB 22 is needed to get a clear statement on the books in order to avoid litigation and unnecessary time and expense in attempting to locate defaulting borrowers who have changed their addresses.

There may be some concern that perhaps a lender who has been in recent contact with the debtor or who may have clues to his whereabouts should be required to take steps beyond mailed notice to the last address given by the debtor. This gets into questions of what and how much the lender "knew." This is very difficult to determine in any given case. Conflicting testimony would be likely. Also, in a financial institution with several or many employees, any of whom may receive information orally, how do you determine when the financial institution "knew" something about a debtor's whereabouts. If knowledge language were written into the bill it would surely cause more litigation. That would reverse the purpose of the bill which is to avoid litigation. The bill requires written notice of a change of address because this is the only way that litigation and needless expense can be avoided.

If a debtor whose collateral has been repossessed and who changes his address contacts the lender and asks for the time and place of sale, the UCC's good faith requirement in Section 30-1-203 would clearly mandate that the lender tell the debtor the time and place. If a lender were to maliciously attempt to stand on the technicality of written notice and knowingly send notice to the wrong address, the good faith provision could again be

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invoked in favor of the debtor. To attempt to specifically provide for every possible contingency would clutter up the code--that's why the good faith obligation is there.

In closing, this bill would merely clarify the rights and duties of lenders and borrowers according to fundamental fairness--i.e., a defaulting borrower must give notice of change of address and the lender must note and use this address in future communications.

Thank you for your time and consideration. We urge a "be concurred in" recommendation for House Bill 22.

STANDING COMMITTEE REPORT

JANUARY 20

1987

MR. PRESIDENT

We, your committee on **BUSINESS AND INDUSTRY**

having had under consideration **HOUSE BILL**

No. **22**

THIRD reading copy (**BLUE**)

color

Harper (Neuman)

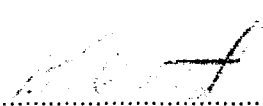
Clarify Notice Requirements on Disposition of Collateral After Default

Respectfully report as follows: That **HOUSE BILL**

No. **22**

BE CONCURRED IN
~~XXXXXXXXXX~~

~~XXXXXXXXXX~~


.....
SENATOR KOLSTAD,

Chairman.

STANDING COMMITTEE REPORT

.....JANUARY 20,..... 1987.....

MR. PRESIDENT

We, your committee on..... **BUSINESS AND INDUSTRY**.....

having had under consideration..... **SENATE BILL**..... No. **97**.....

FIRST reading copy (**WHITE**)
color

**REVISE ECONOMIC DEVELOPMENT BOND, MUNICIPAL FINANCE
CONSOLIDATION LAWS**

Respectfully report as follows: That..... **SENATE BILL**..... No. **97**.....

DO PASS

SENATE

.....
SENATOR KOLSTAD,

Chairman.