

THE J REPORT

January - February 2008
Volume 12, No. 1

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Annual Report to Members

A letter from President & CEO Matthew A. Runci

Dear Jewelers of America Members,

In this issue of *The J Report*, Jewelers of America reports back to you on the progress the association made last year in furthering its mission to be a center for knowledge and an advocate for professionalism and high ethical, social and environmental standards. The "Inside" listing at left shows the report's various sections.

The **Education** section highlights the results of our J-Biz educational initiative. We focused on advancing our educational offerings in 2007. We've created an online J-Biz Education Center as well as new online courses. We also held a number of Town Halls last year, so that you could meet with fellow retailers to discuss the issues most relevant to your work lives, including increased profitability, Internet skills and knowledge about responsible jewelry practices.

On the **Responsible Business Practices** front, the association played a leadership role with issues that could affect consumer confidence in jewelry products. We provide you with a summary of key issues and how the association responded, such as our Responsible Gold Confidence Pack for the "No Dirty Gold" campaign; updated information on regulations for irradiated gemstones; and our stand on Burmese gemstones, in response to Congressional and media focus on the

role gems play in supporting the country's repressive military regime.

We also kept our attention on **Legislative** issues to ensure that your voices were heard on Capitol Hill, at government agencies and in the courts. Jewelers of America continues to be one of the strongest advocates for the Sales Tax Fairness and Simplification Act. We also worked with Congress to send a letter to the Federal Trade Commission questioning use of the term "cultured" when marketers refer to lab-created diamonds.

On pages 5 and 7, we spotlight some of our **Legal and Security** initiatives of 2007. The association is a lead sponsor on a new Jewelers' Security Alliance project to build Local Crime Prevention Networks. JA also closely monitored the proposed De Beers class action settlement, so that the settlement was fair to diamond resellers.

The back page illustrates programs we progressed in the area of **Professionalism**, including the latest *Cost of Doing Business Survey*, a new Bench Jeweler Education Resource Forum and a new JIC Marketing Resource Center.

Jewelers of America will continue to work on your behalf, to develop and support products, projects and services that help you stay profitable and preserve consumers' confidence in our industry. Best wishes for 2008.



"A key goal is to enhance members' business reputations, to improve consumer confidence in the jewelry industry."

—Matthew A. Runci

ROUTING BOX:

Be sure to initial and pass on among store staff.

Jewelers of America Financial Summary

Jewelers of America, Inc.
Balance Sheet - September 30, 2006 and 2007
(dollars in thousands)

Assets	2007	2006
Cash and cash equivalents	\$ 974	\$ 975
Accounts receivable	392	417
Prepaid expenses	122	62
Investments (at fair value)	68,154	61,834
Intangible asset	22	44
Property and equipment (net)	190	217
Total Assets	\$ 69,853	\$ 63,549
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 526	\$ 449
Non-Current Liabilities	419	322
Deferred revenue	-	15
Total Liabilities	945	785
Unrestricted Net Assets	68,908	62,764
Total Liabilities and Net Assets	\$ 69,853	\$ 63,549

Statement of Operations
for the years ended Sept. 30, 2007 and 2006
(dollars in thousands)

	2007	2006
Operating Revenues		
Membership Dues Collected	\$ 661	\$ 663
Less: Dues Remitted to Affiliates	(532)	(562)
Net Membership Dues	129	101
Royalty Income	566	616
Education Programs and Publications	84	76
Miscellaneous Income	15	-
Net Operating Revenue	794	792
Operating Expenses		
Payroll Exp-Wages, Taxes, Benes	1,746	1,603
JIC Direct Support	150	200
Printing and Specialty Supplies	233	245
Direct Education Funding	153	208
Office Rent & Utilities	579	540
Office Supplies and Expenses	61	69
Postage and Shipping	111	108
Professional Fees	350	330
Travel Expenses	282	231
Equipment and Site Rental	92	75
Insurance Expense	25	22
Telephone Expense	13	45
Other Expenses & Industry Support	210	223
Depreciation and Amortization	71	90
Total Operating Expenses	4,074	3,990
Net Operating Loss	(3,281)	(3,198)
Non-Operating Revenue and Losses		
Investment Activity	9,426	6,788
Loss on write-off of Intangible Asset	-	(10)
Change in Net Assets	\$ 6,146	\$ 3,581



JOHN GREEN: NEW CHAIRMAN

Jewelers of America elected John Green (pictured), president and CEO of Lux Bond & Green, Inc. of West Hartford, CT, to be chairman of the association for the next two years.

“Jewelers of America is an association that is committed to its membership, and to advancing the professionalism and responsible business practices of the entire industry,” said Green.

Peter Engel also joined the board as a new director. Engel is president of Fred Meyer Jewelers, the third largest fine jewelry company in the U.S.

Outgoing directors were Alan Rodriguez, House of Stones, New Philadelphia, OH, and Susan Jacques, Borsheims, Omaha, NE, who also served as board secretary.

JA Board of Directors

Chairman John Green
Lux Bond & Green, Inc., West Hartford, CT
Chairman-Elect Terry Burman
Sterling, Inc., Akron, OH
Vice-Chair Georgie Gleim
Gleim the Jeweler, Palo Alto, CA
Vice-Chair Michael J. Kowalski
Tiffany, New York, NY
Treasurer Vicki Cunningham
Cunningham Fine Jewelry, Tulsa, OK
Secretary Michael L. White
White's Jewelers, Springfield, TN
Regional Director Jeffrey Corey
Days Jewelers, Waterville, ME

Marvin Beasley
Helzberg Diamonds, North Kansas City, MO
Artie Bennos
Simms II Jewelers, Winchester, MA
Jon Bridge
Ben Bridge Jeweler, Seattle, WA
Scot Congress
Congress Jewelers, Sanibel Island, FL
Frédéric de Narp
Cartier, New York, NY
Peter Engel
Fred Meyer Jewelers, Portland, OR
William Farmer, Jr.
Farmer's Jewelry, Lexington, KY
Esther Fortunoff
Fortunoff, Uniondale, NY
John Hayes
Goodman's Jewelers, Madison, WI
Barbara Hight-Randall
Hight & Randall, Ltd., Rochester, MN
Woody Justice
Justice Jewelers, Springfield, MO
Bill Koen
Joe Koen & Son Jewelers, Austin, TX
William Nichols, Jr.
Reis-Nichols, Inc., Indianapolis, IN
Steve Robbins
Robbins Bros., Glendale, CA
Hank Siegel
Hamilton Jewelers, Lawrenceville, NJ



Matthew A. Runci, President & CEO
David Lafleur, Vice President
Peggy Jo Donahue, Director of Public Affairs
Lauren Thompson, Editor, The J Report
Orasa Weldon, Art Director, The J Report

Jewelers of America education initiatives progressed substantially in 2007, as the association restructured its online education materials, launched online courses, continued peer-to-peer training and held Town Hall Forums at major industry events throughout the year.

New Education Online

J-BIZ EDUCATION CENTER

Jewelers of America reorganized its online educational materials into one all-inclusive J-Biz Education Center. When members visit Jewelers of America's website, www.jewelers.org, they see a new "Education" section on the homepage. It features the J-Biz Education Center and other educational products, including in-store education, certification, seminars and scholarships. The Education Center is designed to be a user-friendly online gateway to the unique learning and professional development opportunities available to JA members and their staffs. It is exclusive to Jewelers of America members (log-in required).

J-BIZ ONLINE COURSES

Jewelers of America launched its first three online courses in advance of the busy holiday sales season, to help jewelers and their sales associates close more sales during this prime shopping period.

The first three courses offered were: *Counter Intelligence*; *Communicating Color: Selling Colored Gemstones*; and *Treatment Talk: Discussing Gemstone Enhancements*. The online courses include games, quizzes, and audio narration to motivate users as they learn. They received enthusiastic reviews from participants.

Jewelers of America plans to release new courses in 2008. The association has made it easy for individuals or retailers to purchase courses; owners or managers can buy multiple courses for their staffs, and they receive a unique password for each individual employee. Visit www.jewelers.org for more information.

"Continued professional training is no longer dictated by one's ability to travel to an industry event or trade show."

— Matthew A. Runci

J-BIZ TOWN HALL FORUMS

Jewelers of America hosted a series of Town Hall Forums at major industry events throughout 2007. The forums were held at the Atlanta Jewelry Show (Feb. 25); the Midwest Jewelry Expo in Madison, WI (March 24); the JCK Show Las Vegas (May 31); and the JA New York Show, New York City (July 29).

Moderated by Paul Holewa, senior editor, *Instore* magazine, the Town Hall Forums discussed the key challenges facing independent jewelers today. With presentations from jewelry retailers and experts in the fields of finance, marketing, management, technology and training, attendees gained essential advice on how to be competitive in a changing retail economy.

Jewelers of America has made available the J-Biz Town Hall materials – which feature complete transcripts and expert advice on a wide range of industry hot topics discussed at the Forums – at the J-Biz Education Center at www.jewelers.org. Topics discussed included: Shrinking Margins, Internet Competition and Reaching Out to Changing Markets.

The interactive sessions also included a question-and-answer period where attendees had the opportunity to share their insights and ask questions about managing and overcoming the challenges put forth by the Town Hall presenters.

Ideas and input gathered in these interactive sessions will be used to help Jewelers of America plan new educational resources that meet the education and training needs of the industry in the 21st century.



FOR MORE INFORMATION

Jewelers of America's members-only website area features a range of educational materials. Members must log-in to access these exclusive benefits.

J-Biz Education Center:

www.jewelers.org/members/educationcenter.asp

Online Courses:

www.jewelers.org/members/onlinecourses.asp

Town Hall Transcripts:

www.jewelers.org/members/jbizlive.asp



Throughout 2007, **Jewelers of America** assisted its members and led the industry in promoting responsible business practices to the trade, consumers, press, government and non-governmental organizations (NGOs).

MARCH

RETAILERS SPEAK AT CIBJO

In March, Board members Vicki Cunningham, Cunningham Fine Jewelry, Tulsa, OK, and John Hayes, Goodman's Jewelers, Madison, WI, spoke at a CIBJO Ethics Commission panel, moderated by President and CEO Matthew A. Runci, at the CIBJO World Jewellery Confederation's Annual Congress in Cape Town, South Africa. These single-store independent jewelers told the international audience how they valued the importance of a responsible supply chain, in order to preserve consumer confidence in jewelry products.



Jewelers of America participated in the CIBJO Congress in Cape Town, South Africa. Pictured with De Beers Group Chairman Nicky Oppenheimer (center) are (L-R): JA President and CEO Matthew A. Runci, JA Board Director John Hayes, JA Board Director Vicki Cunningham and her husband, Howard. Hayes and Cunningham spoke on behalf of retail jewelers at the Congress.

APRIL

RESPONSIBLE GOLD CONFIDENCE PACK

Jewelers of America, in collaboration with the Council for Responsible Jewellery Practices (CRJP) and the World Gold Council, prepared a Responsible Gold Confidence Pack in April, with resources members can use when they are asked for their opinions on topics such as "no dirty gold." The documents can be found in the Members Only section of www.jewelers.org, in the Responsible Business Practices section.

The Pack includes a Model Statement for use when members are questioned by consumers or the media. The second document is a sample letter that members can send to non-governmental organizations (NGOs) that ask for a retailer's policy on responsible gold sourcing.

The documents detail the responsible gold mining standards that the association's leadership is working on with groups such as CRJP and the Initiative for Responsible Mining Assurance (IRMA).

JULY

IRRADIATED GEMS INFORMATION

Last year the U.S. Nuclear Regulatory Commission (NRC) began to scrutinize the jewelry and gemstone industry in the United States to ensure that irradiated gemstones, such as blue topaz, had been imported and distributed in accordance with new and longstanding laws and regulations.

The NRC requires the initial importer and/or distributor of irradiated gemstones in the U.S. to obtain possession and distribution licenses. In July, the industry was informed by the NRC that there were no current licensees. The NRC began working with industry trade groups, including Jewelers of America, the Jewelers Vigilance Committee (JVC) and the American Gem Trade Association (AGTA), to re-establish the necessary regulatory framework.

Jewelers of America, through its legal counsel, prepared a detailed document to explain the NRC regulations to its members. It included the recommendation that individual members consult personal legal counsel to decide on a course of action.

Before the end of 2007, three companies were issued distribution licenses, with several more on track to be issued, which enables irradiated gem importers to meet NRC regulations going forward.

The NRC offers a "Fact Sheet on Irradiated Gemstones" on its website, which contains FAQs for jewelers, distributors and consumers. The Fact Sheet can be found at NRC's "Fact Sheets & Brochures" page at www.nrc.gov.



Stane & Stane sterling silver and blue topaz earrings

FOR MORE INFORMATION

The website features a variety of materials to assist you in learning about issues that affect consumer confidence, such as those detailed here.

For Members:

<http://www.jewelers.org/members/profguidance.asp>

For the Public:

www.jewelers.org/publicaffairs/confidence.html



OCTOBER

A BURMESE GEMSTONES STAND

In October, Jewelers of America sent letters to Congress and issued an advisory to members, detailing its deep concern about the Burmese military government's brutal crackdown on Burmese freedom fighters, including Buddhist monks. In light of a continuing lack of democratic freedoms in Burma, JA asked Congress to amend the Burmese Freedom & Democracy Act of 2003, which bans the importation of products from Burma, so that it includes gemstones mined in that country.

Jewelers of America also asked members to contact gem suppliers to ascertain whether any of the gems they supply are mined in Burma. The association asked its members to tell their suppliers that, on all future orders placed, those suppliers should furnish written assurances that they will not knowingly supply gems mined in Burma, until the process of democratic reform has started in that country. By taking this action, members can assure customers that they are doing their part to help end the human rights abuses in Burma.



SPOTLIGHT ON

De Beers Class Action Settlement

Jewelers of America and its counsel have had significant involvement in commenting on the **De Beers settlement process** and timing since it began several years ago, and last year the association issued three summaries to members as the case headed towards a proposed settlement.

The association argued to the settlement administrators that the claims process should be delayed until after the prime holiday selling season, and it was successful in ensuring that timing.



When the proposed settlement was announced publicly at the end of December 2007, Jewelers of America created a set of documents to assist members in learning where to file their claims, and to help confidently answer public queries on the issue with assurance and proper knowledge. The documents cover: 1.) background on the case itself, 2.) guidance on how to answer consumers' questions, and 3.) guidance on how to answer media questions. Members can access the documents at Jewelers of America's website, www.jewelers.org, in the Members Only area.

Says President and CEO Matthew A. Runci, "With the release of information about the De Beers settlement to consumers and the media, Jewelers of America wants to assist our members in answering the public's questions."

SPOTLIGHT ON continued on page 7



Gerald Herbert

First Lady Acknowledges Jewelers of America

The jewelry industry received much positive news coverage, after Jewelers of America's public appeal to Congress to amend the Burmese Freedom and Democracy Act. First Lady Laura Bush cited the

actions of American jewelry retailers when she issued an official statement on the Burma issue on November 16. Below is an excerpt of her remarks:

"I applaud the Jewelers of America and member companies ... for taking a stand against the importation of Burmese gems. I urge others in the industry, both in the U.S. and worldwide, to join in this important effort and refuse to have the trade in Burmese gems prop up the Burmese regime. Consumers throughout the world should consider the implications of their purchase of Burmese gems."



Jewelers of America monitored a number of key legislative and regulatory measures for its members during the first session of the 110th Congress in 2007. The association also spoke out on members' behalf concerning several issues of importance.



THE SALES TAX FAIRNESS & SIMPLIFICATION ACT



Jewelers of America continues to lobby strenuously for the swift passage of the “Sales Tax Fairness and Simplification Act,” which was introduced in the Senate by Senator Mike Enzi (R-WY) and in the House by Rep. William J. Delahunt (D-MA).

The bills, if passed, would allow states to efficiently and fairly collect sales and use taxes from remote sellers, who currently cannot be required to remit these taxes on catalog and Internet purchases.

Jewelers of America is working with the E-Fairness Coalition, a large group of businesses, associations, labor unions and state and local governments lobbying to get the legislation enacted. In November, the association signed and endorsed a letter sent to leaders in Congress, asking legislators for swift passage of the Act.

FOR MORE INFORMATION

The latest news on legislative issues and JAPAC can be found at our website.

JAPAC:

www.jewelers.org/publicaffairs/JAPAC.html

J Report Archives:

www.jewelers.org/members/publications.asp

MINING LAW REFORM



Jewelers of America delivered a letter to members of the House of Representatives this fall, urging them to vote affirmatively on H.R. 2262, The Hardrock Mining and Reclamation Act of 2007.

“Jewelers of America supports the enhanced viability of mining companies that produce jewelry’s raw materials, but our members also realize that the current Mining Law does not address the considerable impact of mining on watersheds, wildlife or local communities. Failure to modernize the law has proven expensive to Americans and to our environment,” said President and CEO Matthew A. Runci.

On October 31, the House voted 244-166, in support of the bill. The Senate, which has blocked several attempts to change the mining law, will consider mining law reform in 2008.



JA Impacts Legislators

In order to increase the effectiveness of jewelers' voices in Washington, JAPAC, **Jewelers of America Political Action Committee**, redoubled its fund-raising efforts during 2007. Led by JAPAC Board Chairman Bill Farmer Jr. of Farmer's Jewelry, Lexington, KY, the committee, a legally separate entity from Jewelers of America, raised nearly \$20,000 to contribute to legislators' campaigns during the year, and the JAPAC Board has already set an aggressive goal of \$50,000 for 2008 fundraising.

Congressman Rangel Speaks to Industry

JA invited Congressman Charles B. Rangel (D-NY) to speak at the opening of the JA New York Summer Show.

Rangel is chairman of the House Committee on Ways and Means, considered the most powerful committee in Congress, due to its jurisdiction over tax and trade legislation. Ways and Means has considered legislation of crucial interest to the jewelry industry over the years, including luxury tax measures.



Congressman Charles Rangel (center) addresses retailers at JA New York last summer, with JAPAC Chair Bill Farmer (left) and JA President & CEO Matthew Runci (right).

In 2008, Rangel will preside over an important tax reform bill, which contains several provisions that could impact small businesses such as retail jewelers. His summer 2007 visit to the jewelry industry, and a roundtable session he held with prominent retail leaders there, ensure that jewelers' issues remain on his radar.

OTHER LEGISLATIVE HIGHLIGHTS

- **Cultured diamonds.** Jewelers of America worked with legislators to send a joint letter in support of an industry petition to the Federal Trade Commission (FTC) questioning the use of "cultured" when describing lab-grown diamonds. The legislators, on the association's behalf, urged the FTC to act quickly.
- **Leasehold Improvements.** The association worked once again to extend a law granting accelerated depreciation of leaseholder business and store improvements earlier this year, and it will work again in 2008 towards a permanent change in this law.
- **Estate Tax.** Jewelers of America continues to support the ongoing Congressional effort to permanently lower estate tax rates. More hearings are expected to occur in 2008.

SPOTLIGHT ON

Crime Prevention

Jewelers of America contributed \$300,000 this year to the Jewelers' Security Alliance (JSA), to help sponsor local **crime prevention networks** of jewelers and police, in towns, regions, cities and states around the U.S.

These local crime fighting groups will share information on crimes, suspects and crime prevention measures, and will work together with their local police and FBI to reduce crime against jewelers. The goal is to have 200 local networks operating within three years.

Jewelers Mutual Insurance Co. was also a leadership sponsor, and JSA has raised a total of \$1.2 million for the project. JSA has also hired on-site staff, and key personnel in the field, who will help jewelers make their local networks highly effective.

For more information, or to start or join a local network, contact JSA President John J. Kennedy at 212-687-0328 or 1-800-537-0067 or jsa2@jewelerssecurity.org.

Affiliate Conference

Held July 27-28 in New York City, the **2007 Jewelers of America Affiliate Conference** included presentations by Board Directors Vicki Cunningham and John Hayes, President and CEO Matthew A. Runci, Director of Public Affairs Peggy Jo Donahue, Legislative Counsel Tim Haake, and JAPAC Chair Bill Farmer Jr.

JA Affiliate Awards honored the Missouri Jewelers and Watchmakers Association and the Ohio Jewelers Association for their outstanding commitment to JAPAC, through charitable donations and fund-raising efforts.

During the two-day event, JA also hosted affiliate directors at two cocktail parties.



Professionalism |

Jewelers of America continued to raise the bar for its members in 2007, offering a range of professional programs that help retailers improve their businesses.

BENCH JEWELER EDUCATION RESOURCE FORUM

Jewelers of America and the American Gem Society formed a task force, called the Bench Jeweler Education Resource Forum, to examine the current state of bench jeweler education and certification. The associations recognized the importance of bench jewelers to the future prosperity of independent jewelers.

A group of bench jewelry industry leaders are participating in the forum's four committees that have been given the task of assessing key areas of interest. The committees are: JA Certified Bench Jeweler Program/Content and Structure; JA Certified Bench Jeweler Program/Fulfillment; Educational Resources for Bench Jewelers; and Media and Marketing.

The committees will meet twice in Spring 2008, for further work.

NEW BENEFITS FOCUSED ON INCREASING PROFIT, PROFESSIONALISM & BRAND IMAGE:

2007 COST OF DOING BUSINESS SURVEY

The most complete comparative financial information available to retail jewelers in the U.S., the Survey can help jewelers generate greater profits, by comparing individual data to see where improvements can be made. Visit www.jewelers.org/bizbuildingtools/tradesurvey.html.



SAVINGS ON FEDEX SHIPPING

In 2007, Jewelers of America offered members significant savings on shipping costs through a partnership with FedEx announced in February. Visit www.jewelers.org/bizbuildingtools/servpartnerships.html.



JIC MARKETING RESOURCE CENTER

JA partnered with the Jewelry Information Center (JIC) to promote the Marketing Resource Center, a new line of services designed to help independent retailers drive traffic into their stores using strategic marketing, public relations and advertising programs. Visit www.jewelers.org/promresources/marketing.html.

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