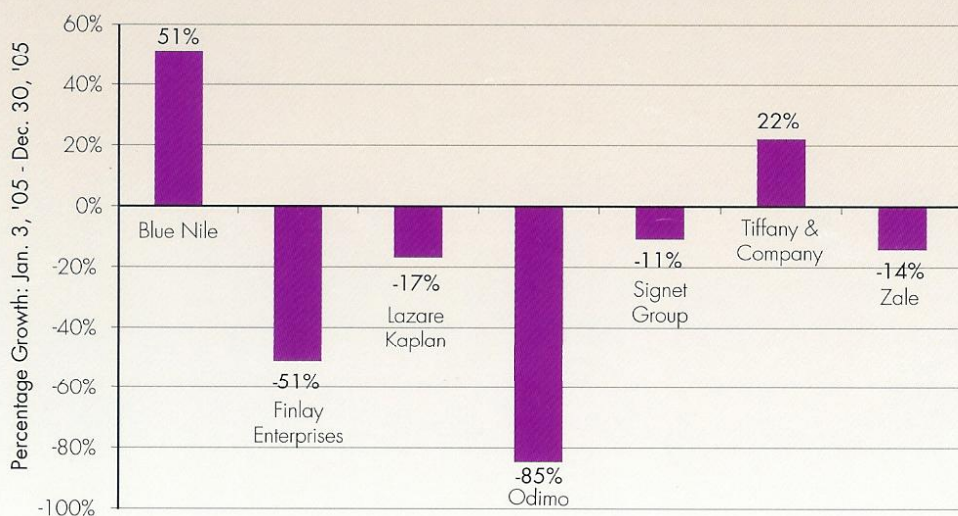


2005 Stock Performance



Diamonds on Wall Street

A roundup of the 2005 performance of seven of the top publicly held diamond and jewelry companies

BY SAYRE PRIDDY

Overall, 2005 was not a banner year for those companies in the jewelry industry with publicly traded shares. While there were a few bright spots, both online and in brick-and-mortars, overall, the stock value not only decreased in the sector, but declined in most cases in double digits. In fact, one company whose stock was once healthy, Whitehall Jewelers, has seen such a steep drop in value that it is now traded on the pink sheets and is not included in this roundup. In

alphabetical order, the seven companies examined are: Blue Nile, Finlay Enterprises, Lazare Kaplan International, Odimo Incorporated; Signet Group, Tiffany & Co. and Zale Corp.

The following analysis reflects January 3, 2005 and December 30, 2005 share prices, as well as data obtained on January 12, 2006.

(Continued on page 21)

Love's Journey

The Diamond Trading Company introduces its first new gift of love since Three-Stone Diamond Jewelry.

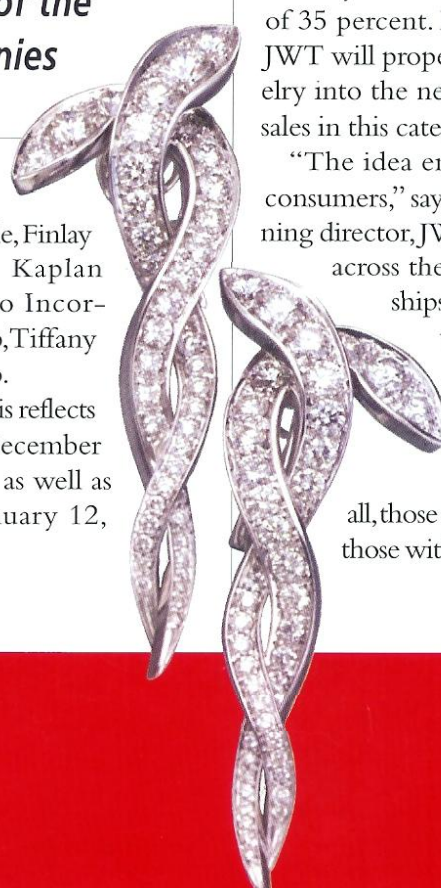
BY AMBER MICHELLE

Love is a journey, it grows over time and through shared experiences and each couple has their own unique story of a life built together. Based on this premise, the Diamond Trading Company (DTC), in conjunction with advertising agency J. Walter Thompson (JWT), is launching Journey Diamond Jewelry, a new gift of love.

Since its launch in 2000, Three-Stone Diamond Jewelry has dominated the love category with about \$3 billion in sales annually and an average annual growth rate of 35 percent. Building on this success, JWT will propel Journey Diamond Jewelry into the next love gift to fuel future sales in this category.

"The idea emerged organically from consumers," says Sarah Fitzharding, planning director, JWT. "We talked to women across the country about relationships, hopes and fears. Women wanted to hear that love will only get better. They're looking forward to the future of their relationships and it appealed to all, those with new relationships, and those with established relationships."

(Continued on page 40)



INSIDE

- ◆ 2005 Holiday Wrap-Up
- ◆ Antwerp Under Siege
- ◆ Zultanite Hits the Market
- ◆ AGTA Spectrum Winners
- ◆ JA, Vicenza Shows

COLOR-CHANGE DIASPORE

Branded as Zultanite, this new gemstone hitting the international market is actually a diaspore that appears a different color depending upon the light in which it is seen.

BY ROBERT GENIS

Found in a remote, mountainous region in Anatolia, Turkey, gem-quality crystals of this newly marketed gemstone were first discovered in the early 1980s, but they were never mined commercially until Zultanite Gems LLC obtained the deposit. What is unique about this gem is that it changes color based upon the lighting source.



century. According to Murat Akgun, partner, Zultanite Gems LLC, Fort Lauderdale, Florida, "Diaspore has had a reputation of being inexpensive. What's out there now are stones uncovered by independent miners looking to turn a fast dollar. The stones are poor quality, very included, and cut in China or Thailand in ways that do not capture the color change. We hope this material will disappear from the market within the next year."

WHAT'S IN A NAME?

Most people in the trade think of diaspore as an unfacettable low-end stone. As a matter of fact, it wasn't until the late 1970s that any diaspore had ever been faceted. The name diaspore conjures images of a sea creature or possibly a sedative. Obviously, the owners of this mine think the name is not sexy. For marketing purposes, they chose Zultanite as the brand name, in honor of the 36 sultans who founded the Ottoman Empire in Anatolia in the late-thirteenth



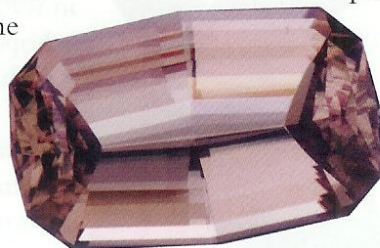
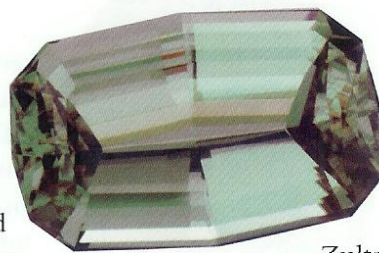
MINING TROUBLES

Bringing this stone to market was a difficult venture. "I kind of fell into this project," Akgun states. "I was a jeweler/gem dealer who traveled often to the United States. The original owner of the mine approached me as an investor. I believed in the gemstone and invested over \$100,000 in the project."

The color-changing property of Zultanite is dramatically obvious in two views of the same oval stone under different lighting conditions. Photos by Robert Weldon.



After awhile, however, Akgun began to realize that what the owner told him “didn’t add up.” Although the mine owner was dealing in these stones, he actually “had no legal Turkish right to do so,” explains Akgun. “Therefore, I found a partner and spent the time and the money to legally acquire the mining rights to these gemstones. The government of Turkey owns all the land, but we have acquired the proper licenses and permits.”



THE MINE

The Zultanite mine can only be described as low-tech. It is seven miles away from the closest village and is at an altitude of over 4,000 feet. There is no

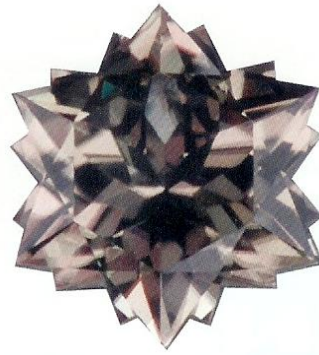
Top: Murat Akgun, partner, Zultanite Gems LLC, poses in front of the company’s Zultanite mines in a remote region of Turkey. *Above:* Rectangular-shaped Zultanite stone shows color range. *Photos by Robert Weldon. Opposite page:* Zultanite stones are being cut in a myriad of fancy and standard shapes. *Photos by Jeff Scovil.*

electricity or water. The basic method of mining is using chisels and pick axes. There is only one road, in bad condition, to the gem area, which encompasses 20,000 acres. Zultanite Gems is having problems securing the perimeter; local villagers poach gems at night.

The company is preparing for steady production. “Our engineers are planning a mining strategy, and the mine should begin producing regularly by early 2006,” states Akgun. “Although we’re not able to confirm reserve figures, supplies seem promising.”

BRIEF GEMOLOGY

Zultanite measures 6.5 to 7 on the Mohs scale of hardness and has a refractive index of 1.702 to 1.750. It is a member of the mineral family diaspore, a hydrated aluminum oxide plus manganese. It is found in colorless, light pink, yellow, green, brown, or light to dark red. Zultanite is typically eye-clean with some inclusions under magnification.



COLOR CHANGES

The most interesting characteristic of this gem lies in its color changing under different lighting conditions. Its main attribute is you can easily see the 100 percent change. You don't have to use your imagination as with so many color-change stones. This is unusual because typically the best color changes occur with dark tones and this material possesses light tones. The color changes are dramatic and obvious — the larger the stones, the better the color changes. "In the best cases," explains Akgun, "Zultanite transforms from a kiwi green to a rhodolite purplish-pink."

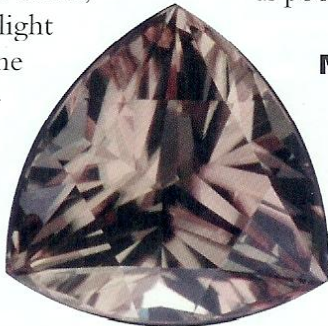
Based on observations of a sample of these stones, the stone washes out in direct sunlight. However, under Duro-Test light, or in the shade, the stone looks like green tourmaline or light peridot. Under incandescent light, the stone changes to an almost olive color or greenish-brown. The Zultanite owners like to call these colors brownish-pink, or pinkish-champagne or ginger colors. Sometimes, pinkish flashes can be observed off the stone, but they look almost purple in dark restaurant lighting at night.



pears and marquise — and standard shapes — such as rounds, ovals and cushions. The average size range available from Zultanite Gems is 3 to 5 carats. Any Zultanite over 5 carats is rare. The company currently has only ten stones that are over 10 carats.

PRICES

At press time, Zultanite Gems had not decided on a pricing structure for the gemstones. They are trying to find a happy medium where, says Akgun, "the gems cannot be priced too high or too low." The gemstones really cannot command the price premium of alexandrite. They probably need to compete with color-change sapphire, color-change garnet and color-change spinel, as well as possibly an andalusite, which is known in the trade as poor man's alexandrite.



MARKETING

Due to the limited quantity of the new material, the main market for these goods is custom designers and small manufacturers. It is hard to mass-market any product with an entire inventory of only 400 to 500 gemstones. The more obvious market is for collectors. Here is a very rare stone with unusual characteristics that may excite certain factions in the collecting market.

CUTTING

Zultanite's perfect cleavage also makes it very difficult to cut. "It's easy for the gem to cleave or split apart in one direction," contends Akgun. "The cutter has to orient the rough correctly to minimize this tendency. Moreover, the cutter must position the gem's angles to evoke the full color change inherent in Zultanite." Combine this with Zultanite's low yield, translating to 90 percent of the rough lost in the cutting process. Presently, the Turkish mining company is using American Gem Trade Association (AGTA) award-winning cutters to fashion the material.



SUMMARY

Most colored gemstone dealers and jewelers find red, blue and green the easiest colors to sell. However, given the success of orange spessartite garnet recently, this may be changing. In the colored gem world, the two ugly-duckling colors remain brown and gray. Now, you have a stone that is predominately brown in one part of its color change. Of course, diamond companies have always marketed brown or champagne diamonds to men as a masculine color. Zultanite should learn something from the diamond dealers. Whether this becomes the hot new stone or not, it will be interesting to watch its progress. ♦

SIZES, SHAPES

These stones are cut in a myriad of shapes. They have fancy shapes — such as shields,

