

AGTA CODE OF ETHICS AND PRINCIPLES OF FAIR BUSINESS PRACTICE

Preamble

The American Gem Trade Association, Inc. (“**AGTA**”) is an organization of members dedicated to promoting, educating and maintaining fair business practices in buying, selling and trading natural colored gemstones, pearls, natural colored diamonds and colored stone manufactured jewelry (the “**colored gemstone industry**”).

The success of the colored gemstone industry depends on the respect, trust and confidence of the public and the jewelry industry. To continue earning this respect, trust and confidence, each AGTA member shall maintain the highest possible ethical standards and principles in its business transactions. Such highest possible ethical standards and principles include, but are not limited to, complying with this Code of Ethics and Principles of Fair Business Practices (this “**Code of Ethics**”), the AGTA’s Gemstone Information Manual and all local, state and Federal laws applicable to a member or its business. Each AGTA member acknowledges and agrees that its compliance with such highest possible ethical standards and principles is necessary for the success of the colored gemstone industry and AGTA.

Each AGTA member will at all times act in the best interests of its clients by representing and promoting the member’s products professionally, honestly and positively, disclosing to its clients all necessary and relevant information pertaining to such products and the member’s business transactions, and striving to practice and observe the highest possible ethical standards and principles of the colored gemstone industry.

Each AGTA member will respect and defend AGTA’s role in the jewelry industry. A high degree of cooperation among AGTA members is the foundation of unity and success in the colored gemstone industry.

NOW, THEREFORE, BE IT RESOLVED THAT, we, the members of AGTA, hereby signify our pledge and bond to maintain the highest possible ethical standards and principles in part through the adoption and continual compliance with this Code of Ethics, which contains the guiding principles that govern the conduct of AGTA members.

Section 1 – General Guidelines

- A. As used herein, (i) the term “**AGTA member**” means any member of AGTA, including a Firm Member; and (ii) the term “**Firm Member**” has the same meaning given to such term in those certain Bylaws of American Gem Trade Association Inc. certified as true, complete and correct by AGTA’s Secretary in that certain Certificate dated August 15, 2014, attached thereto.
- B. It is the duty of each AGTA member to protect its clients and the colored gemstone industry and the jewelry industry against fraud, misrepresentation and unethical practices in business transactions and avoid exaggerating, concealing or omitting to disclose any necessary or relevant information pertaining to the member’s

products and business transactions. Each AGTA member should avoid any practice, which could damage or bring discredit to the colored gemstone industry or the jewelry industry. No AGTA member shall willfully aid or abet any gemstone fraud, whether in a sale, purchase or exchange transaction or in the performance of any services related to any product or business transaction. Each AGTA member must be diligent in combating and exposing gemstone sales fraud, misrepresentations, and sales or services to individuals or firms engaged in gemstone investment scams or high-pressure sales operations.

- C. Each AGTA member shall at all times comply with all local, state and Federal laws applicable to the member or its business. Each AGTA member shall exercise reasonable due diligence to acquaint itself with all applicable laws, which include any law, rule or regulation or any order, writ, injunction or decree of any governmental agency or authority having jurisdiction of the member or its business. By way of example and not by way of limitation, each AGTA member must adhere to all rulings and guidelines of the Federal Trade Commission and all definitions of the National Institute of Standards and Technology (including its Standard Reference Materials and Handbook 44), insofar as they apply to the colored gemstone industry and the jewelry industry.
- D. Additionally, if an AGTA member engages in international trade or commerce, the member shall at all times comply with any foreign laws, which are from time to time applicable to the member or its business. AGTA members acknowledge and agree that while it is not always possible to establish and verify every step from mining a gemstone, to its cutting and then to the many steps of the marketplace, each AGTA member nonetheless should attempt to maintain the highest possible ethical standards and principles in its business transactions. Any AGTA member that asserts, represents or advertises that it or its merchandise observes so-called “*Fair Trade*” protocols must (i) promulgate and provide to the AGTA and all individuals and firms with whom such member conducts business written guidelines that substantiate and verify such assertions, representations and/or advertisements; and (ii) publish and make available to AGTA and all individuals and firms with whom such member conducts business a written disclosure report disclosing how such member and its merchandise observes the so-called “*Fair Trade*” protocols.
- E. No AGTA member should in any way defame, criticize, undermine or take unfair advantage of the reputation, merchandise or services of another individual or firm in order to promote and sell the member’s own merchandise, services or interests.
- F. An AGTA member must not misrepresent the nature, authenticity, treatment or origin of any merchandise. An AGTA member’s written disclosure of treatments and/or enhancements is mandatory at the point of consignment or sale in all documents (for example, an invoice or a bill of sale) pertaining to each individual gemstone or lot of gemstones. Such disclosure shall comply with the requirements contained in the AGTA’s Gemstone Information Manual, as then in effect, as long

as such requirements are not contrary to those of the Federal Trade Commission, as then in effect. In making such disclosure on commercial documents in the trade, (i) a Firm Member is entitled to list a gemstone enhancement or processing by its code, as stated in the AGTA's Gemstone Information Manual, as then in effect; and (ii) members of other AGTA membership classifications must disclose all treatments by description in writing when selling to non-trade individuals.

- G. No AGTA member shall indulge in what is commonly known as "sharp practices", which, while designed to come within the letter of the law, have the effect of deceiving other individuals or firms, whether they are prospective sellers, purchasers, suppliers or otherwise.
- H. An AGTA member's use of terms such as "investment gem", "investment grade", "investment quality", "museum quality", "museum grade", "museum gem" or substantially similar words are prohibited except where the use of such terms pertains to discussions or sales between knowledgeable professionals within the wholesale gemstone trade (or are validated by an independent disinterested third party). No AGTA member shall use such prohibited terms in connection with any sales to consumers unless the gemstones are of such rarity, quality, or provenance that the use of such prohibited terms is justified.
- I. Each AGTA member should avoid the use of the term "semi-precious" in describing gemstones.
- J. Any AGTA member selling gemstones for financial investment at the consumer level shall (i) make it abundantly clear to the potential purchaser that any investment is subject to either profit or loss and there is no public or organized market for the sale or liquidation of gemstones; (ii) give the prospective purchaser in writing the right to return the gemstones for any or no reason, stated or unstated, to the seller within a reasonable period of time of not less than thirty (30) days for a full refund of the purchase price; and (iii) prior to any sale obtain the prospective purchaser's execution of an affidavit containing the purchaser's express representations that (a) the purchaser has not been guaranteed or promised any profit or return on either the investment or the gemstones; (b) the purchaser can bear the economic risk of losing all of its investment in the gemstones; (c) the purchaser acknowledges and understands that there is no public market for the investment or the gemstones being purchased; and (d) the prospective purchaser has no need for liquidity in the purchase of such gemstones.
- K. No AGTA member shall deliver a gemstone in a sealed container under a warranty that becomes void if the seal is broken.
- L. Each AGTA member shall restrict its use of the terms "gem" and "gemstone" to materials of natural origin.

- M. To describe synthesized materials that have essentially the same physical, chemical, and optical properties as gemstones of natural origin, each AGTA member shall use only the word “synthetic” or some other word or phrase of like meaning approved by the Federal Trade Commission so as to clearly disclose the nature of such product and the fact that it is not a natural gemstone. The terms “laboratory grown”, “man-made”, and “lab-created” are deemed and construed to be words or phrases of like meaning as the term “synthetic”. No AGTA member shall use the word “faux” or other substantially similar word or phrase to describe materials, which are “synthetic”, “laboratory grown”, “man-made”, or “lab-created”. An AGTA member shall only use the words “simulated” for simulants or “imitation” for imitations.
- N. No AGTA member shall produce a certificate or appraisal for any gemstone or jewelry (i) in which the member possesses any vested interest for the purpose of overstating the value or the quality of the gemstone or jewelry; or (ii) in which the member may stand to gain revenue or other consideration of any sort through the sale or exchange of the gemstone or jewelry, which the member is certifying or appraising. An AGTA member shall be entitled to issue a written warranty that any gemstone or jewelry it is selling is valued legitimately based on market conditions existent at the time the warranty is issued and the issuance of such warranty is within the valid purview of such member’s expertise.
- O. This Code of Ethics applies to any company owned by an AGTA member or the member of record of such AGTA member or any company in which such AGTA member or the member of record of such AGTA member possesses a vested interest. This Code of Ethics also applies to all partners and employees of (i) an AGTA member or the member of record of such AGTA member; or (ii) any company in which such AGTA member or the member of record of such AGTA member possesses a vested interest.

Section 2 – Fiscal Guidelines

- A. For the protection of all parties, each AGTA member shall assure that all financial obligations and commitments in any business transaction is in writing and clearly expresses the entire agreement of the parties and the member shall furnish true, complete and correct copies of all such writings at the time of the transaction.
- B. All terms on invoices shall be considered payment on receipt, unless otherwise stated in writing.
- C. An AGTA member shall satisfy its financial obligations on time in accordance with the terms of the transaction.
- D. Each AGTA member, when sending or shipping any merchandise it does not own, shall ensure that full insurance is in effect of such shipment in an amount equal to the full insurable value of such merchandise.

- E. If an AGTA member acts as an agent in a transaction, such member shall not accept any commission, rebate, or profit on the transaction made for the agent's principal or owner, without the prior knowledge and written consent of such principal or owner.

Section 3 – Memoranda and Consignments

- A. All AGTA members acknowledge and agree that the title to any merchandise does not pass on a memorandum until and unless a bill of sale is issued and executed by the consignor.
- B. If the consignor demands the return of any merchandise upon the expiration of the agreed or deemed time period of a memorandum, then the consignee shall have the option of either (i) remitting to the consignor within one business day payment in full for the merchandise; or (ii) returning the merchandise to the consignor within one business day. Upon receipt of a payment in collected funds, the consignor shall thereupon issue, execute and deliver to the consignee a bill of sale.
- C. An AGTA member is solely responsible and assumes all risk of loss for all merchandise received on memorandum from a consignor.
- D. Any gemstones or jewelry received by a consignee on memorandum from a consignor, if thereafter returned by the consignee to the consignor, must be in the same condition and form in which such merchandise was received, unless any alterations or modifications of such gemstones or jewelry were approved in advance in writing executed by the consignor. The shipper shall be responsible for merchandise until received in good order by the recipient. The recipient shall be required to immediately inform the shipper (by telephone, email, text or fax) of any and all claims of damage at the point of receipt.
- E. The terms of duration for each memorandum provided to clients shall be specified in writing on the memorandum, which terms shall be accepted and agreed by signature. If the consignee does not contact the consignor after the agreed or deemed time period of such memorandum, the consignor is entitled to immediately invoice the consignee for all gemstones and jewelry received by the consignee on such memorandum. Whenever any time limit or date provided in this Code of Ethics falls on a Saturday, Sunday, or other day when Federal banks are closed, then that date shall be automatically extended to the next day that is not a Saturday, Sunday, or other day when Federal banks are closed. As used herein, the term “**business day**” means any day that is not a Saturday, Sunday, or other day when Federal banks are closed.
- F. When in possession of a memorandum, an AGTA member, as consignor, shall honestly and truthfully disclose on demand the status of any sale or pending sale to the consignee from which the consignor took the memorandum.

- G. An AGTA member, as consignor, is entitled at its option to file a UCC-1 financing statement covering any gemstone, lot of gemstones or other jewelry before consigning such merchandise to the consignee. An AGTA member, as consignee under a memorandum, who has been requested to file a UCC-1 financing statement before the consignee consigning any of the merchandise received on memorandum to a third party must comply with such request and provide the original consignor with written evidence of the filing of such UCC-1 financing statement.
- H. All AGTA members acknowledge and agree that, if a consignee sells merchandise received by the consignee on memorandum, it is an unfair practice to request a lower price from the consignor unless the consignee discloses in writing to the consignor that the consignee has sold the merchandise. If the consignee discloses in writing to the consignor that the consignee has sold the merchandise received by it on memorandum, the consignor may at its option exercisable in its sole discretion either grant the requested price reduction or decline to reduce the price.

Section 4 – Advertising Guidelines

- A. All advertising of an AGTA member shall comply with all rulings and guidelines of the Federal Trade Commission, as then in effect, and the rules of the AGTA, as then in effect. For the purpose of this Code of Ethics, the rules of the AGTA shall have priority provided that such rules are not contrary to those of the Federal Trade Commission.
- B. Firm Members:
 - 1. Firm Members may advertise only in the following manner: using the official logo of the AGTA or the statements “Member, American Gem Trade Association” or “Member, AGTA”. Statements such as “Charter Member”, etc. are prohibited.
 - a. A Firm Member’s use of the AGTA logo or other references to membership must be limited in size or design so as not to imply that the advertising or other document was prepared, published, disseminated, approved or endorsed by AGTA.
 - b. At no time may any reference to a Firm Member’s membership in AGTA be either bolder or larger than the name or logo of the advertiser.
 - 2. A Firm Member may use AGTA’s slogan “*Add More Color to Your Life™*” in its advertising or literature.
 - 3. A Firm Member shall not advertise committee memberships or any office or position in AGTA held (or formerly held) by the Firm Member or its

member of record (for example, “President”, “Vice President”, “Director”, “Board Member”, “Nominations Committee”, “Spectrum Committee”, etc.).

4. A Firm Member’s advertising of its membership in AGTA must be done in good taste and shall not be used in any way that implies AGTA’s endorsement of either the Firm Member, its member of record, or the Firm Member’s prices or that AGTA is being given or provided as a reference (whether credit reference or otherwise) for the Firm Member or its member of record.

C. AGTA members, who are not Firm Members:

1. An AGTA member, who is not a Firm Member, may advertise only in the following manner: using the official logo designed for members of AGTA, who are not Firm Members, or the statements “Member, American Gem Trade Association”, or “Member, AGTA”. Statements such as “Affiliate Retail Member”, etc. are prohibited.
 - a. The AGTA member’s use of the AGTA logo or other references to membership must be limited in size or design so as not to imply that the advertising or other document was prepared, published, disseminated, approved or endorsed by AGTA.
 - b. At no time may any reference to the AGTA member’s membership in AGTA be either bolder or larger than the name or logo of the advertiser.
2. An AGTA member, who is not a Firm Member, may use AGTA’s slogan “*Add More Color to Your Life™*” in its advertising or literature.
3. An AGTA member, who is not a Firm Member, shall not advertise committee memberships (for example, “Spectrum Committee”, “Promotion, Marketing and Education Committee”, etc.).
4. Advertising by an AGTA member, who is not a Firm Member, of its membership in AGTA must be done in good taste and shall not be used in any way that implies AGTA’s endorsement of either the member or its prices or that AGTA is being given or provided as a reference (whether credit reference or otherwise) for the member.

Section 5 – Issuance of Certificates and/or Appraisals

No AGTA member shall issue its own certificate, warranty and/or appraisal regarding quality, purity of color, clarity and/or value of a gemstone or other jewelry for the purpose of promoting sales of the member’s merchandise (or the merchandise of a business related to or affiliated with

the member) if such certificate, warranty and/or appraisal overstates the quality and/or value of such gemstone or other jewelry.

Section 6 – Gem Identification Laboratories and/or Appraisers

- A. When any merchandise is examined, evaluated or appraised by an AGTA member that is a laboratory or appraiser, such member shall be (i) independent of its customers and other AGTA members, which are examining, evaluating or appraising such merchandise; and (ii) objective and impartial in its examination, evaluation or valuation.
- B. No AGTA member that is a laboratory or appraiser shall disclose to any individual or firm any information that is personal, proprietary or confidential to the gemstone supplier. Each AGTA member that is a laboratory or appraiser shall maintain complete confidentiality with respect to the examination, evaluation or appraisal of merchandise.
- C. An appraisal issued by an AGTA member that is a laboratory or appraiser must be titled with the specific function and purpose for which the appraisal is issued and given must state the current market value of the merchandise being appraised.
- D. An AGTA member that is a laboratory or appraiser shall examine, evaluate and/or appraise merchandise with a degree of accuracy consistent with generally accepted gemological and appraisal methodology standards. Any appraisal or identification report issued by such member must be complete and in writing. An AGTA member that is a laboratory or appraiser shall not make or issue any verbal or oral examination, evaluation or appraisal. An AGTA member that is a laboratory or appraiser shall expressly state in its examination, evaluation or appraisal report (i) the name and address of the member; and (ii) the name(s) and professional qualifications of the individual(s) who prepared the examination, evaluation and/or appraisal. Each examination, evaluation or appraisal report issued by an AGTA member that is a laboratory or appraiser must be signed by the member and the individual(s) who prepared the examination, evaluation and/or appraisal.
- E. No AGTA member that is a laboratory or appraiser shall falsely claim to possess any gemological or appraisal credentials, which the member does not possess, or fabricate, claim or publish any non-existent degrees, titles, affiliations or credentials.
- F. Each individual(s) who participates in the preparation of any examination, evaluation and/or appraisal, which is issued by an AGTA member that is a laboratory or appraiser, shall be affiliated with one or more professional groups, associations or societies for laboratories or appraisers and hold all appropriate degrees, titles, or credentials for an individual engaged in examining, evaluating, and/or appraising gemstones and other jewelry.

- G. The fees charged by an AGTA member that is a laboratory or appraiser for any examination, evaluation and/or appraisal of gemstones and other jewelry shall be calculated on a per-carat, per report, per-piece, or per-hour basis. No AGTA member that is a laboratory or appraiser shall contract for, charge or collect any contingent fees, split fees, “kickbacks” or “percentage of value” fees under any circumstances.
- H. Any AGTA member that is a laboratory or appraiser, which advertises or markets appraisal services and either buys (or makes an offer to buy) the gemstones or other jewelry the member appraises must expressly state in such advertising and marketing that the member is offering “Offers to Buy”.

Section 7 – Due Diligence

- A. Each AGTA member shall conduct reasonable and customary due diligence when purchasing, selling, exchanging, representing, marketing, and disclosing gemstones and other jewelry. Such due diligence shall include, by way of example and not by way of limitation, requesting in writing from the member’s suppliers and vendors, full written disclosure of any known treatments and enhancements of each gemstone.
- B. If an AGTA member is bringing to the marketplace any new, unknown or questionable material, it is highly recommended that such due diligence include submitting such material to a reputable laboratory for detailed analysis, which shall be contained in a written report issued to the member.
- C. To the best of their ability Members shall determine that the gem materials they source and sell are a) mined responsibly with a concern for protecting and restoring the environment, b) not sourced or processed using child labor or in violation of local laws or any applicable laws of the USA, c) processed with efforts to protect the health of all workers including miners, cutters and jewelers, obtained legally, not in association with smuggling or supporting illegal activities.