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Tel: (619) 286-6614 Fax: (619) 286-7541 thomu@cox.net www.sdgemlab.com

December 9, 2005

Mrs. Florence Gray
333 5th Ave.
San Jose, CA 92155

Dear Mrs. Gray,

At your request I have evaluated the description of the jewelry in question and have provided an opinion of the Approximate Replacement Cost (comparable). My opinion of cost is based on hypothetical conditions put forth by the jewelry descriptions in the documents provided.

There is 1 item and 11 pages in this report and it is valid only in its entirety. The final figure excludes local sales tax and you may wish to take this into consideration when using the report. The value conclusion is subject to limiting conditions that are set forth in the body of the report. To the best of my knowledge and experience, I estimate the jewelry has an Approximate Replacement Cost at the retail market level of \$3,200.00.

A digital photograph is not included with this report as the item(s) was not examined directly by this appraiser.

This report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), and the principles and procedures for the evaluation and valuation of personal property as prescribed by the American Society of Appraisers.

If I can be of any further assistance, please call.

Sincerely,

A handwritten signature in black ink, appearing to read "Thom Underwood", is written over a light blue horizontal line.

Thom Underwood, GG, FGA, ASA, NAJA,
Master Gemologist Appraiser[®]

Enc:



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GEM AND JEWELRY VALUATION

**POST LOSS ASSESSMENT FOR THE EXPRESS PURPOSE
OF USE IN INSURANCE CLAIM SETTLEMENT**

Prepared For

Mrs. Florence Gray
333 5th Ave.
San Jose, CA 92155

Prepared by:
Thom Underwood, GG, FGA, ASA, NAJA
Master Gemologist Appraiser[®]
Date: 12/9/2005



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This report is valid only in its entirety and for its stated purpose and intended use. It was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and contains the following elements.

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ASSUMPTIONS AND LIMITING CONDITIONS

PURPOSE

The purpose of this report is to describe and document the Approximate Replacement Cost for the item(s) based only on the descriptions provided.

INTENDED USE

The intended use of this report is to assist in the settlement of an insurance claim.

This appraisal reflects the retail costs incurred to replace or reproduce any gems in like quality and jewelry mountings in like manufacturing and degree of craftsmanship but in brand new condition or in the form of a comparable. Such costs or values are estimates of the average current market prices at which the appraised items may be purchased in the average market in which such goods are normally sold and do not necessarily reflect the price at which the appraised item may be purchased from any one jewelry store in particular.

Valuation Date: 12/9/2005

Effective Date: 12/9/2005

This appraisal is limited to its stated intended use and is invalid if all items listed in the Table of Contents are not present.

The information in this appraisal is confidential between the client, appraiser, and potential third parties such as legal or financial advisors. Third parties may rely on the information in this report for the defined purpose and intended use only. Third parties requiring further information than what is in the report must obtain the written permission of the owner of the appraisal before the appraiser will discuss the report.

Possession of this report or any copy thereof, does not include the right of publication. This report in its entirety, or any part, including the identity of the appraiser, or his firm, shall not be made public through advertising, public relations, news releases, sales, or other distribution of information media without the written consent of the appraiser.

No changes may be made to the report by anyone other than the appraiser. The appraiser is not responsible for unauthorized alterations.

Fees paid for this appraisal do not include the services of the appraiser for any other matter whatsoever. In particular, fees paid to date do not include any of the appraiser's time or services in connection with any statement, testimony or other matters before an insurance company or any court in connection to the property herein described. Fees paid for the additional services will be at the current rate with an estimated fee paid in advance.

APPRAISAL PROCEDURES AND MARKET ANALYSIS

Diamonds are graded with the prescribed grading nomenclature of the Gemological Institute of America (GIA).

Whenever possible colored stones are described with the use of the GIA Gem Set™.

Unless otherwise stated, all colored stones listed on this appraisal report are assumed to have been subjected to various treatments to improve their appearance. Treatments are considered usual and customary practices when properly disclosed and when done without intent to defraud the consumer. The treatments are mostly stable and do not require special care. Some treatments are reversible and re-treatable. Prevailing market values are based on these universally practiced and accepted processes by the gems and jewelry trade.

Sources are assumed to be reliable and the appraiser does not assume responsibility for their information.

The appraiser assumes the ownership of the subject property is true as stated by the client.

Unless expressly stated the condition of the items are good for its type with serious deficiencies and repairs noted. Ordinary wear and tear is not noted.

This appraisal process does not discover liens, encumbrances, or fractional interests but, if known, they are noted.

The limited owner of this appraisal is the party for whom the work was performed.

Possession of this report does not provide title to the items appraised.

A copy of this report is maintained in the appraiser's files for at least five years after the report date.

The professional relationship between the appraiser and the client ends with the delivery of this report.

MARKET

To value an item a market (and market level) must be recognized. The most appropriate market for jewelry can vary depending upon the article's age, condition, quality, intrinsic content, aesthetic appeal, provenance, current fashion trends, artistic interpretation and period of manufacture among other things.

Depending upon the circumstances of the individual item of jewelry and the market conditions prevailing at the time of the appraisal, replacement value for insurance purposes may be estimated using the market data comparison approach and/or the cost approach. The income approach does not apply. Due to the availability of the jewelry described in this report in the local retail market, both the cost and market approach to value were considered.

Unless otherwise indicated, the value given reflects the price for which the appraised item may be purchased from any store in the appropriate market level.

The type of retail outlet that most commonly carries the item being appraised is considered to be the appropriate market level. Because of the condition and ready availability of this jewelry, the appropriate replacement market for the purposes of this appraisal is the retail jewelry establishment.

METHODS OF REPLACEMENT

- ∅ **Replacement (new):** The cost necessary to replace the appraised item with new materials of like kind, quality, and similar utility, at current market prices.
- ∅ **Replacement with a comparable article:** The cost necessary to replace with a similar piece of like kind, quality, condition, and similar utility, but not an exact duplicate.
- ∅ **Reproduction (new):** The cost of reproducing a duplicate of the appraised item using the same construction techniques, design, and materials.

APPROACH TO VALUE

There are three traditional approaches to value, which are as follows:

- ∅ **Income approach:** Applies to income producing properties and is used only if an income situation or rental property can be identified.
- ∅ **Market data approach:** Compares the qualities of the subject item to an article with similar or identical qualities, and researches and records current verifiable sales of such merchandise.
- ∅ **Cost approach:** Establishes the total value of an item by considering the value of its component parts (precious metal content, gemstone weights and qualities, labor, and any other fees). To this is applied the appropriate retail markup according to the norms of the jewelers in the locale, supply and demand, and the current state of the marketplace.

The jewelry described within has been graded in accordance with prescribed grading standards.

Unless otherwise stated, all gemstone weights and grades are approximate.

Whenever possible current replacement prices are obtained from those manufacturers who trademark their work. When that information is unavailable, a fair and accurate replacement value of a comparable item is provided.

SUBSCRIPTIONS AVAILABLE FOR VALUE CONSULTING

Drucker, Richard - **The Guide**, Northbrook, IL
Levine, Gail - **Auction Market Monitor**, Rego Park, NY
Rapaport, Martin - **Rapaport Diamond Report**, New York, NY

METAL MARKET

As of 11/9/2005 (source - <http://www.kitco.com/market/>)

Gold	\$466.10
Silver	\$7.66
Platinum	\$943.00

LABORATORY INSTRUMENTS

Binocular microscope	Leverage gauge
Electronic scale	Thermal conductivity diamond tester
Touchstone and acids	Ultraviolet light unit
Fiber optic light	Electronic metals tester
Spectroscope	Proportionscope
Polariscope	Dichroscope
GIA Gem Set color grading system	Refractometer
Chelsea color filter	Heavy liquids
Diamond light	Graded master comparison diamonds
GIA Square color grading system	Gran Colorimeter

CERTIFICATION

I hereby certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of my client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- No one provided significant professional assistance to the person signing this report.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Signature of Appraiser: _____



Date 12/9/2005

Thom Underwood, GG, FGA, ASA, NAJA
Master Gemologist Appraiser®

Prepared For:
Mrs. Florence Gray
333 5th Ave.
San Jose, CA 92155

Date: 12/9/2005

One lady's 'tennis' bracelet set with fifty-six (56) princess cut diamonds. The bracelet measures approximately 7 inches long and has a hidden box clasp with a figure-eight safety catch and a safety chain.



Total Diamond Weight: 8.40 Cts.

Item Attributes

Weight: 19.95 gms
Metal: 14K yellow gold
Manufacturing: Cast and assembled
Finish: Polished
Setting: Channel set
Trademark: None
Condition: Very good

Diamond Melee Attributes

Shape and cut: Princess cut
Weight: 0.15 Cts. each
Number of diamonds: 56
Total Weight: 8.40 Cts. (estimated)
Clarity grade: VVS
Color grade: F-G
Proportions: Good
Finish: Good

Total Orderly Liquidation Value Excluding Tax: \$3,200.00

Three thousand two hundred dollars and no cents

Signature of Appraiser:

Thom Underwood, GG, FGA, ASA, NAJA
Master Gemologist Appraiser®

Date: 12/9/2005

**BIOGRAPHICAL BACKGROUND AND
QUALIFICATIONS**

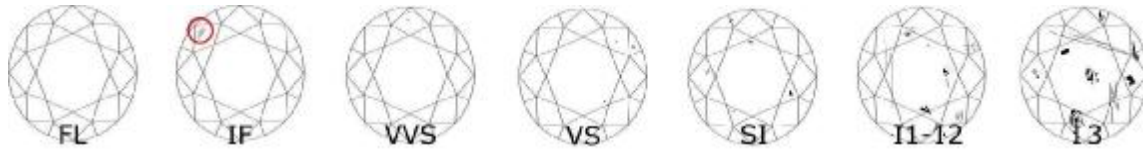
**THOM UNDERWOOD GG, FGA, ASA, ISA, NAJA
MASTER GEMOLOGIST APPRAISER®**

- Education:** Gemological Institute of America (GIA)
Gemological Association of Great Britain (GAGB)
North Carolina Wesleyan College (BA Chemistry 1971)
- Business:** Owner, San Diego Gemological Laboratory
AGA Certified Laboratory Number 110
Owner, Quantum Leap Software Solutions
Twenty-nine years experience in the jewelry industry as goldsmith, jewelry store owner, and appraiser
- Expert Witness:** Qualified before the Superior Court of San Diego and Ventura
- Qualifications:** Graduate Gemologist (GIA) 1981
Fellow of the Gemmological Association of Great Britain (FGA) 2004
American Society of Appraisers (ASA),
Senior Member 1986-2005
Re-certification 1993, 1997, 2002
Master Gemologist Appraiser® 1984, Re-certification 1997, 2002
International Secretary, Gems and Jewelry Discipline (ASA) 1993-1994
Board Member, Gems and Jewelry Discipline (ASA) 1993-1997
Senior Member, National Association of Jewelry Appraisers (NAJA) 1994-2005
Member, Jewelers Vigilance Committee
Task Force on Appraisal Guidelines 1993-1998
Member, Accredited Gemologists Association (AGA) 1983-2005
President, Accredited Gemologists Association (AGA) 1997-2001
Chair, Computer Technology Committee (AGA) 1988-1997
Editor, Cornerstone (AGA) 1992-1993, 1997-2001
Computer Technologies Editor for National Jeweler 1992-1996
International Lecturer on computer applications in the jewelry industry and also Appraisal and Insurance Documentation.
Certified Instructor and Continuing Education Provider for the California Department of Insurance
- Courses:** Attended ISA Core courses 101, 102, 103 1993
Audited ASA Level courses 1, 2, 3, 4 1993 -1994, (3) 2001
Attended AGA International Conference on Gemology 1983-2005
Attended ASA Annual Conference 1992-1997, 2000 - 2002
Attended ISA Annual Conference 1996, 1998 (Program Chair)
Attended NAJA Annual Conference 2004, 2005 (Speaker)

GLOSSARY

ASA: American Society of Appraisers. A non-profit, worldwide organization of appraisers specializing in real, personal and business property.

Clarity: In gemstones, the incidence of inclusions and surface blemishes. One of the “four C’s” in Diamond grading. There are several clarity grading scales throughout the world. The clarity grading scale used in this report is that of the G.I.A. Some of the grades are split (e.g. VVS1 and VVS2). Size, position and number of inclusions determine the distinction between the split grades. The descriptions below assume an expert eye using a 10X loupe corrected for spherical aberration. The following diagram is not literal and is for illustration purposes only.



FL: Totally free of any internal or external blemishes.

IF: Free of any internal blemishes.

VVS: Extremely small internal blemishes that are difficult to extremely hard to find.

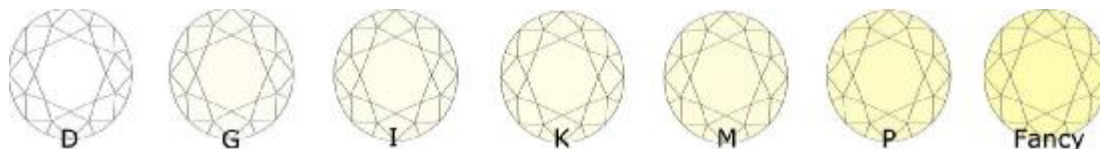
VS: Very small internal blemishes that are difficult to detect.

SI: Small internal inclusions which are very easy to find.

I1-I2: Internal characteristics that are visible to the trained, but unaided eye. May diminish the brilliance.

I3: Large and/or numerous internal blemishes that are easily visible to the naked eye. Brilliance is diminished.

Color grade: 1.)The classification of body color in colored gemstones expressed in terms of hue, tone and saturation. 2.)The classification of body color of cut diamonds. One of the “four C’s” in diamond grading. There are several color grading scales used throughout the world, the scale used in this report is that of the GIA. The range is from colorless (“D”) to yellow, brown or grey (“Z”), beyond is termed Fancy. The following diagram is not literal and is for illustration purposes only.



Cost approach: An approach to value involving the research and analysis of the buyer’s cost of a new duplicate or a substitute property with equivalent function and desirability to the subject property. It may provide an estimate of the depreciated reproduction cost, reproduction cost new

Carat (ct.): A unit of weight in gemstones, equal to one-fifth of a gram. Carat weight is one of the “four C’s” in diamond grading A carat is divided into 100 parts, or decimal fractions, commonly referred to as “points.” The word *carat* comes from the seed of the carob tree (Biblical locust) and was used in ancient times as a unit of weight for pearls and gems.

Cut: 1.) In gems, a fashioned gem, as opposed to a rough or uncut gem. 2.) The shaping and polishing of a gemstone. 3.) The proportions to which a gem is fashioned. One of the “four C’s” in diamond grading

Hypothetical condition: An assumption of a condition contrary to known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis. (USPAP)

Liquidation Value: The most probable price in terms of cash, or other precisely revealed terms, for which a property will change hands if sold immediately. There are two types: forced and orderly.

Melee: 1.) A parcel of round diamonds up to about $\frac{1}{4}$ carat. 2.) The accent diamonds in a piece of jewelry. 3.) In rough diamonds, octahedral and irregular octahedral crystals under 1 carat.

Period: A historical timeframe characterized by jewelry with certain unifying characteristics of style, materials and manufacture. E.G., Georgian, Victorian, Art Deco, Art Nouveau, Retro, etc.

Provenance: Intangible value characteristic relating to the origin or history of the property.

Replacement Value: “The price in terms of cash or other precisely revealed terms that would be required to replace a property with another of similar age, origin, appearance, provenance and condition, within a reasonable length of time in an appropriate and relevant market”. This definition includes various anticipated costs such as: 1) purchase from an appropriate dealer or gallery 2) Purchase at a well-publicized auction where comparable property is regularly sold 3) engagement of an interior designer, commissionaire or any other consultant. Refers to a consensus in the market place rather than to an individual transaction.

Value: The consensus among people interested in a property as to what represents a reasonable price for it.