



SAN DIEGO  
GEMOLOGICAL LABORATORY

November 2, 2012

Mr. Richard Sample  
3307 Maple St.  
San Diego, CA 92334

Dear Mr. Sample,

At your request I examined the jewelry you submitted and have provided an opinion of the approximate Replacement Value at the retail market level for insurance purposes.

There is 1 item in this report and it is valid only in its entirety. The final figure excludes local sales tax. You may wish to take this into consideration when using the report. The value conclusions are subject to limiting conditions that are set forth in the body of the report. My opinion, to the best of my knowledge and experience, is that the replacement value of the jewelry is approximately \$4,000.00.

Photographs are included with the original report for your reference. I suggest that you keep your copy of this report in a safe place.

This report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Please call if I can be of any further assistance.

Sincerely,



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



SAN DIEGO  
GEMOLOGICAL LABORATORY

## GEM AND JEWELRY VALUATION

REPLACEMENT VALUE APPRAISAL FOR THE EXPRESS PURPOSE  
OF USE IN INSURANCE SCHEDULING

Prepared  
For

Mr. Richard Sample  
3307 Maple St.  
San Diego, CA 92334

**Prepared by:**  
Thom Underwood, GG, FGA, ASA, CSM  
Master Gemologist Appraiser®  
**Date:** 11/2/2012



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



## SCOPE OF WORK

### PURPOSE

The purpose of this report is to describe and document the quality of the jewelry listed and to arrive at an opinion of its Replacement Value.

### INTENDED USE AND USERS

The intended use of this report is for obtaining insurance coverage on the jewelry described. This report is intended for use only by Mr. Nick Underwood and the insurer. Use of this report by others is not intended by the appraiser.

### DATES

Examination Date: 11/2/2012  
Valuation Date: 11/2/2012  
Effective Date: 11/2/2012

### DEFINITIONS OF REPLACEMENT VALUE

Based on accepted appraisal methodology, my definitions of replacement value are:

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

### APPROACH TO VALUE

There are three traditional approaches to value that are as follows:

- Ø Income approach: applies to properties that produce a stream of income, and is used only if the property has been or will be used for rental or other income-producing purposes.
- Ø Sales comparison approach: researches, records and analyzes current verifiable sales of articles with qualities similar or identical to the subject item and adjusts for differences to arrive at an indication of value. Appraisal standards dictate that any recent sales of the subject property also be considered.
- Ø Cost approach: establishes the total value of an item by considering the consumer's cost to have a similar, equally desirable substitute produced, taking into consideration precious metal content, gemstone weights and qualities, labor, and any other fees. Depreciation may be applied as appropriate.

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 sales comparison approach and/or the cost approach. Usually both valuation methods are considered. The income approach does not apply in this appraisal because no income stream is currently being produced by the property.

### MARKET SELECTION

Value always relates to a particular market. The most appropriate market for valuing jewelry can vary depending upon the purpose of the appraisal and the attributes of the article including materials, condition, craftsmanship, period of manufacture, provenance, desirability and demand.

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

Unless otherwise indicated, the values given do not reflect the prices for which the appraised items may be purchased from any particular store.



## METALS MARKET

<b>Date:</b>	<b>11/1/2012</b>
<b>Gold:</b>	\$1,716.40
<b>Silver:</b>	\$32.28
<b>Platinum:</b>	\$1,567.00
<b>Palladium:</b>	\$610.00

## PROCEDURES

The jewelry described within has been analyzed and graded in accordance with prescribed grading standards using "state of the art" methods and standard precision laboratory equipment. In some instances, the appraiser may recommend advanced testing by a major research laboratory.

Each item described in this report has been photographed and copies of the images as well as a copy of the report are maintained in the appraiser's files for at least five years after the report date.

Unless expressly stated otherwise, condition is good for the type and period. Ordinary wear and tear is not noted. Any serious damage, deficiencies or repairs affecting value are noted and considered in the valuation.

Unless otherwise stated, stones have not been removed from their mountings and all gemstone weights, grades and measurements are approximate.

Jewelry constructed solely of, or in combination with, precious metals (i.e. platinum, palladium, yellow or white gold and/or silver) is tested, analyzed and described for its type and content of such metal.

Whenever possible, current replacement prices are obtained for trademarked items. When that information is unavailable, prices for substantially similar substitute items are considered.

Colorless & near colorless diamonds are graded with the prescribed grading nomenclature of the Gemological Institute of America (GIA) and the use of pre-graded permanent master diamond color comparison stones.

Colored stones are color graded using the Gem eSquare color grading system.

Unless otherwise stated, all colored stones listed on this appraisal report have probably 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. Detection of some treatments requires sophisticated equipment not found in a standard gemological laboratory. It is beyond the scope of the appraisal to determine exact treatment methods or the amount of treatment present. When a treatment is detected, and considered not to be "usual" it will be so noted.

## ASSUMPTIONS AND LIMITING CONDITIONS

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

Regularly published industry sources are assumed to be reliable; the appraiser does not assume responsibility for their information.



Verification of title is beyond the scope of this assignment. Possession of this report does not prove title to the items appraised. The appraisal process does not discover liens, encumbrances, or fractional interests but if known, they are noted.

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

This document is invalid unless all items listed in the Table of Contents are present.

This report may not be published in any medium without the express written consent of the appraiser.

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

Confidential information disclosed to the appraiser during the course of the assignment will not be disclosed to any unauthorized third parties, except by force of law.

Intended users requiring further information than that contained in the report must obtain the written permission of the owner of the appraisal before the appraiser will discuss the report.

Fees paid do not include the services of the appraiser for any future services. 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, its agents, employees or any court or other body in connection with the property herein described.

If the appraiser is requested to testify or to make any such statements to any third party concerning the described property and/or appraisal, the applicant shall pay the appraiser for all such time and services so rendered at the appraiser's then current rates.

Periodic review of appraisal values is recommended due to economic fluctuations. The appraiser is not responsible for advising the clients when values have changed; clients must establish their own appraisal value review criterion.

The professional relationship between the appraiser and the client, regarding the items described herein, ends with the delivery of this report.

## **SUBSCRIPTIONS RETAINED FOR VALUE CONSULTING**

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

## **LIST OF LABORATORY INSTRUMENTS**

Binocular microscope	Leveridge gauge
Electronic scale	Thermal conductivity diamond tester
Touchstone and acids	Fiber optic light
Electronic metals tester	Spectroscope
Proportionscope	Polariscope
Dichroscope	Color Gemstone color descriptive system
Refractometer	Heavy liquids
Chelsea color filter	Diamond light and graded master comparison diamonds



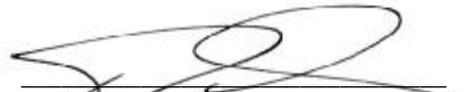
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## CERTIFICATION OF APPRAISAL PRACTICE

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

- Ø The statements of fact contained in this report are true and correct.
- Ø The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are my personal, impartial, professional analysis, opinions, and conclusions.
- Ø I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect the parties involved.
- Ø I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- Ø My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Ø My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Ø My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPSP) 2008 – 2009 Edition, published by the Appraisal Foundation and the Code of Ethics of the *National Association of Jewelry Appraisers (NAJA)*.
- Ø I have made a personal inspection of the property that is the subject of this report, unless otherwise clearly stated.
- Ø No one provided significant personal property appraisal assistance to the person signing this report.



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Thom Underwood, GG, FGA, ASA, CSM  
Master Gemologist Appraiser®  
11/2/2012



Prepared For: Mr. Richard Sample

Date: 11/2/2012

**DESCRIPTION OF ITEM(S)**

**ITEM - ENGAGEMENT RING**

One lady's engagement ring set in the center with one (1) larger round diamond and accented on each side with two (2) smaller round diamonds (total of four).

**Total Diamond Weight:** 1.55 cts.

**Item Attributes**

Weight:	3.5 gms
Metal:	14K yellow gold (with white gold plate)
Manufacturing:	Cast
Finish:	Polished
Setting:	Prong set
Trademark:	None
Condition:	Good



**Diamond Grading Report**

<b>Shape and Cut:</b>	Round brilliant
Measurements:	5.79 x 5.86 x 3.80 mm (approximate)
<b>Weight:</b>	0.83 Cts. (calculated)

<b>Cut grade:</b>	Fair
Depth:	65.24%
Table:	60.1%
Girdle:	Thick (faceted)
Culet:	Medium

<b>Finish</b>	
Polish:	Good
Symmetry:	Good

<b>Clarity grade:</b>	I-1
<b>Color grade:</b>	G
Fluorescence:	None (lw) None (sw)

**Diamond Melee Attributes**

Shape and cut:	Round full cut
Weight:	0.18 cts. each
Number of diamonds:	4
Total Weight:	0.72 cts. (estimated)
Clarity grade:	I-1
Color grade:	F-G
Proportions:	Good
Finish:	Good

TOTAL APPROXIMATE RETAIL VALUE EXCLUDING TAX

\$4,000.00

FOUR THOUSAND DOLLARS AND NO CENTS

Signature of Appraiser:

  
 Thom Underwood, GG, FGA, ASA, CSM  
 Master Gemologist Appraiser



## BIOGRAPHICAL BACKGROUND AND QUALIFICATIONS

### THOM UNDERWOOD GG, FGA, ASA, CSM MASTER GEMOLOGIST APPRAISER<sup>®</sup>

- 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  
Thirty-four years experience in the jewelry industry as goldsmith, jewelry store owner, and appraiser
- Expert Witness:  
Qualifications:** Qualified before the Superior Court of San Diego and Ventura  
Graduate Gemologist (GIA) 1981  
Fellow of the Gemmological Association of Great Britain (FGA) 2004 - present  
American Society of Appraisers (ASA),  
Senior Member 1986 – present, Re-certification 1993, 1997, 2002, 2007  
Master Gemologist Appraiser<sup>®</sup> 1984, Re-certification 1997, 2002, 2007  
International Secretary, Gems and Jewelry Discipline (ASA) 1993-1994  
Board Member, Gems and Jewelry Discipline (ASA) 1993-1997  
National Association of Jewelry Appraisers (NAJA) 1994 – present  
Certified Senior Member (CSM) 2008 – present  
USPAP Recertification 2011  
Member, Jewelers Vigilance Committee  
Task Force on Appraisal Guidelines 1993-1998  
Member, Accredited Gemologists Association (AGA) 1983 - present  
President, Accredited Gemologists Association (AGA) 1997-2001  
Chair, Computer Technology Committee (AGA) 1988-1997  
Editor, Cornerstone (AGA) 1992-1993, 1997-2001  
Chair, Certified Gem Laboratory program (AGA) 2006 - present  
Computer Technologies Editor for National Jeweler 1992-1996  
International Lecturer on computer applications in the jewelry industry and also Appraisal and Insurance Documentation.
- 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 - present  
Attended ASA Annual Conference 1992-1997, 2000 – 2002, 2006, 07, 09  
Attended ISA Annual Conference 1996, 1998 (Program Chair), 2005 (Speaker)  
Attended NAJA Annual Conference 2004, 2005 (Speaker), 2006 – present (2/year)  
Attended NAG Registered Valuers Conference 1996, 97, 03 (Speaker),  
07 (Speaker), 10  
Attended Scottish Gemmological Conference 2002 – present (not 2011)



## GLOSSARY

**Appraisal:** 1) (noun) The act or process of estimating value; an estimate of value. 2) (adjective) Of or pertaining to appraising and related functions, e.g. appraisal practice, appraisal services.

**Appraisal Foundation:** Authorized by Congress as the source of appraisal standards and qualifications

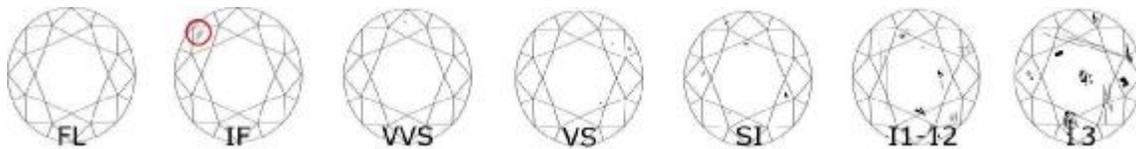
**Appraisal report:** Any communication, written or oral, of an appraisal, review, or analysis; the document that is transmitted to the client upon completion of an assignment.

**Appraiser:** One who is competent to estimate the most fully appropriate value of a specified type of property.

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

**Assumptions:** Information directly related to a specific appraisal assignment, on which the appraiser bases his opinions conclusions. If false, assumptions could cause the appraiser's opinions or conclusions to be in error. IE: sales receipts & price reports, or the portions of a diamond unobservable because of the setting.

**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.

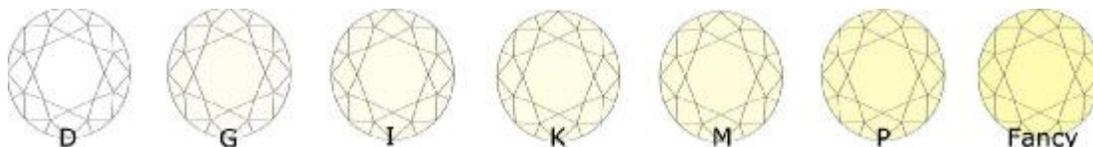
VS: Very small internal blemishes that are not too difficult to easy to detect.

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.



**Condition:** The physical description of the property relating to its completeness for performing an identified role.

Impairments could include damage of any kind, loss of components, wear and tear and inappropriate or unacceptable repairs.

**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

**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

**Diamond:** Hardest of natural substances, composed of pure carbon. In jewelry, must have at least 8 cut facets to be referred to as a 'diamond'.



**Fluorescence:** A property possessed by some substance to change invisible ultra-violet rays into visible light. Useful in identify the origin of certain gems.

**Gem:** A cut and polished stone or other precious substance such as pearl or amber that is used in jewelry and has superior beauty, symmetry, rarity and value. The lack of any one of these properties disqualifies the property as a “gem”.

**Gemologist:** One who completes recognized courses of study of gem materials and/or passes examinations to display his competence to identify and evaluate gem materials.

**Gemstone:** A mineral occurring naturally with the color, clarity, hardness, rarity and availability making it suitable for use in jewelry.

**GIA:** Gemological Institute of America

**Income Approach:** An approach to value that involves research and analysis of the present worth of anticipated income.

**ISA:** International Society of Appraisers. A non-profit organization of appraisers specializing in various types of personal property.

**Limiting Conditions:** Conditions that materially affect the appraisal process and, as a consequence, the value conclusion. Not being able to personally inspect the property because it has been destroyed by fire is a limiting condition. Inspecting diamonds while mounted is a limiting condition. My necessitate making *assumptions* and/or *extraordinary assumptions*.

**Market Value:** “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.

- Both parties are well informed or well advised, and each acting in what he considers his own best interest.

- A reasonable time is allowed for exposure in the open market.

- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone with the sale.

**Melee:** 1.) A parcel of round diamonds up to about ¼ carat. 2.) The accent diamonds in a piece of jewelry. 3.) In rough diamonds, octahedral and irregular octahedral crystals under 1 carat.

**NAJA:** National Association of Jewelry Appraisers. A privately owned jewelry appraisal organization.

**New:** A property that is unused or that has not suffered any deterioration or obsolescence. “New” does not necessarily mean, “just brought into being”.

**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.

**Personal property:** Tangible, movable property.

**Prong:** One of several wires or claws used to hold a stone in a setting.

**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.

**Report:** See “Appraisal Report”.

**Set:** Two or three matching pieces of jewelry, such as earrings, ring, and necklace.

**Setting:** The mount in which a gemstone is set in jewelry. Also applies to the method, either open or closed, by which a stone is secured. IE: box setting, collet setting, crown setting, flush setting, pavé setting, etc.

**Shape:** In gemstones, the general form of the stone, as opposed to “cut” which usually refers to the proportions of cutting. Some shapes are round, pear (pendeloque), marquise, square, octahedral, etc. Used in conjunction with the type of faceting on the bottom of the stone, such as brilliant, step-cut, etc.

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

**White gold:** An alloy of 24 karat gold mixed with nickel to make 14 or 18 karat gold. It was developed in the early part of the 20<sup>th</sup> century.