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May 8, 2008

**VIA E-MAIL**

idexonline.com  
diamondintelligence.com  
ATTN: Mr. Evan-Zohar

RE: *U.S. Diamond & Gold Jewelers, Inc., etc., et al. v. Julius Klein Diamonds LLC, et al.*, Case No. 3:06-cv-371 in the United States District Court for the Southern District of Ohio

Dear Sir:

This office represent U.S. Diamond & Gold Jewelers, Inc. ("Stafford Jewelers") and Mr. John M. Stafford in a case pending in the United States District Court for the Southern District of Ohio, in Dayton, before the Honorable Thomas M. Rose, entitled U.S. Diamond & Gold Jewelers, Inc and John M. Safford vs. Julius Klein Diamonds, LLC, et al., Case No. 3:06-cv-371. Mr. Evan-Zohar's story posted on [idexonline.com](http://idexonline.com) and [diamondintelligence.com](http://diamondintelligence.com), discusses this case. On behalf of our clients, we would like to clarify some of the factual inaccuracies regarding the Federal "Pink Diamond" case.

- 1. Paragraph 8 of Mr. Evan-Zohar's article should be corrected so that it is clear that Mr. Stafford misunderstood Carl Vaughner's offer to sell the Pink Diamond to Mr. Stafford. Mr. Stafford testified in his deposition (Doc #89) as follows:**

Q: What was the next conversation that you had with Carl [Vaughner]?

A: I asked him how much he wanted for it [the pink diamond].

Q: What did he say?

A: He said he wanted eight for it because I remember.

Q: What did you say?

A: I told him that I didn't have that amount of cash on me and that I'd have to write him a check and that if he held it until Monday or Tuesday, I'm sure the check would clear or being that I was there at the show, I could acquire the funds needed to give to him.

Q: What did he say?

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A: He kind of smiled and laughed and he said, you mean you don't have eight thousand dollars on you, like he found it hard to believe I didn't have eight thousand dollars cash. I just looked at him because I'm thinking eight hundred thousand dollars and he's saying eight thousand dollars. And I looked at Carl and I said, I don't think you understand the value of what you have here.

Q: What did he say?

A: He looked at me and he said, you Jews always want a better price.

Q: Anything else? Did he say anything else at that point?

A: No.

Q: What did you say?

A: I looked at him and I was a little taken aback by what he said. Actually I was kind of angry with what he said. And I said, first of all, I'm just a good Catholic kid working hard for a living, I'm not Jewish; and yes, I do have eight thousand dollars on me if this is what you want for it.

Q: Did you say anything else at that point?

A: No.

Q: What did he say?

A: He said okay.

Q: What happened next?

A. I took out the money. I took out eight packets. I had hundred dollar bills stapled on the end ten bills to a thousand so I took out eight packets and gave it to him.

2. **Paragraph 10 of Mr. Evan-Zohar's article, discusses the surveillance video recording at JKD's premises which show the opening of the Brinks package sent by Stafford Jewelers to JKD in New York. JKD has stated that it does not have the original surveillance video and that it has been "automatically deleted" Plaintiffs' forensic video expert, Ed Primeau, however, reviewed the video surveillance supplied by JKD in the case and is familiar with the DVX system in place at JKD. Mr. Primeau testified in affidavits (Doc. #99 and #107) that:**

5. JKD's surveillance system allows users to create an "alarm file." Creating an "alarm file" bookmarks the footage in question and removes it from the automatic deletion cycle.

6. JKD's integral DVX system stores "alarm files" in an area of the hard drive that does not automatically delete itself. An "alarm file" remains in the system unless an administrator accesses and manually deletes it. Furthermore, the alarms page and the administrator or activity log list all MasterControlltm activity including editing, deleting, signing on to the system, remote access, multiple camera(s) viewing as well as frame rate and remote access to tilt, pan and zoom cameras.

7. . Once JKD made copies of the video surveillance evidence in AVI format, it could easily edit the videos using common video editing software.

14. Paragraph 9 in Mr. Sanderson's Affidavit states "the system automatically records over itself and deletes all stored information approximately every five weeks." Page 114 (Exhibit A) of the DVX manual produced by Integral Technologies states that once the administrator creates an "alarm file" (AVI, .xpv, or .exe file), the administrator or operator must save the "alarm file" to a specific location. Since JKD created AVI files on February 14, 2006 (the version of its surveillance evidence that it provided to Brinks), before the Integral Media Player videos that JKD later provided to Plaintiffs, the administrator of the Integral Technologies CCTV system in place at JKD had to have stored the files in a specific location in order to be able to come back to them and make video work product at a later date. In my opinion, JKD could not have accidentally or inadvertently deleted the original surveillance evidence "alarm files" that it created on February 14, 2006, nor would the surveillance system have automatically deleted the files stored in a separate location.

15. JKD's surveillance system allows the administrator to edit the original surveillance evidence. JKD created several AVI files on February 14, 2006 and then edited the AVI files removing or covering up the time duration when JKD removed the pink diamond from the sealed and secured Brink's package. At a later date, JKD created the IMF files produced to Plaintiffs.

\* \* \* \* \*

5. At no place in any of Mr. Sanderson's Affidavits does he address the video files and the photographs taken from them which are identified as Exhibits A through F to my Affidavit in support of Plaintiffs' Response in Opposition to JKD's Motion for Summary Judgment, Document No. 90. These photographs show that there was no puncture in the UPS box at the time the box was first removed from the Brink's bag. When JKD first removes the UPS box from the Brink's bag, the still photographs taken from JKD's surveillance videos show that the UPS box is completely intact with no puncture (also referred to as "tear," "cut and tear" "crude hole" or mystery hole .") The JKD still photographs taken from

JKD's surveillance videos clearly show that when the razor cut along the spine is being made by the JKD employee, there is no "puncture" on the spine. Once the razor cut has been completed, and the flap open to remove the contents, I was able to create JPEGs that show the puncture on the flap, after the incision was completed. I believe within a reasonable degree of certainty that the reason the puncture suddenly appears on the UPS box is that a portion of the video was removed from the AVI (Brinks) file prior to creating the IMP files by JKD or someone working on their behalf.

6. Based upon the video files that I reviewed, along with the still photographs from it, all of which are referenced in the preceding paragraph, it is my opinion, within a reasonable degree of certainty, which is consistent with my earlier Affidavits and report of October 31, 2007, that the UPS box was untampered with and sealed when it arrived at JKD on February 14, 2006.

**3. In paragraph 11 of Mr Evan-Zohar's story, he discusses Mr. Stafford's concern after learning of the "bribe-for-cert-upgrade" scandal. Mr. Stafford testified in an affidavit (Doc #14) that:**

28. As I began to read about the "cert-for-bribe" scandal in the trade magazines, Rapaport and Jewelers Circular magazine ("JCK) and others, I became increasingly concerned since the industry and consumer confidence is dependent upon the integrity and unbiased opinion of a GIA certification. I was also concerned since two of Stafford Jewelers' largest clients had purchased from JKD NY.

29. I discussed the "cert-for-bribe" scandal many times with Zuri Mesica. Mr. Mesica told me that JKD NY had nothing to do with the "cert-for-bribe" scandal even though the press was reporting involvement of New York diamond dealers who deal in large diamonds.

30. Since, according to Zuri Mesica, JKD NY was not involved in the "cert-for-bribe" scandal, Zuri and I discussed the importance of JKD NY issuing a statement requesting that the names of all the dealers involved in the "cert-for-bribe" scandal be disclosed to the public so that JKD NY would not be tainted by any rumors. I volunteered to write a press release to be signed by Motty Klein on behalf of JKD NY to be published and Mr. Mesica agreed to review it, and if acceptable to him, he would forward the press release to Motty Klein for review and signature. I ultimately drafted a press release and sent it to Zuri Mesica, and after reviewing the press release, Zuri told me that the press release was so good that he was going to forward it to Motty Klein and say that he, Zuri, wrote the press release. I thought the press release should be published by JKD NY in the trade publications in order to end any speculation that JKD NY was involved and Zuri agreed. Zuri Mesica later told me that JKD NY's lawyers did not want to send such a press release out. A copy of the press release that I sent to Zuri

Mesica in early November 2005 for Motty Klein's signature is attached as Exhibit 5.

31. According to the press, in late February of 2006, the DTC wrote a second letter to its 93 Sightholders calling on them to immediately inform the DTC if they were implicated in the investigation at the GIA. Thereafter, the President of the GIA resigned and prior to that resignation, GIA fired four employees of the New York lab. According to the Jewelers Circular Keystone or JCK Magazine, subpoenas have been issued and an investigation is occurring. A copy of the JCK Magazine from July 2006 is attached as Exhibit 6.

32. Although I never associated the "cert-for-bribe" scandal with JKD NY, I do recall that, some time prior to the "cert-for-bribe" scandal story breaking, I talked to Zuri Mesica about wanting a diamond certified by the GIA. Zuri requested that I send the diamond to him. He told me that JKD NY had a "relationship" with the GIA or an "in" there. At the time that Mr. Mesica told me I should send the diamond to him, I did not know what he meant by his comments other than perhaps the certification would be less expensive since JKD NY as a Sightholder had frequent contact with the GIA and may be able to get a discounted price on a cert. I ended up not sending the diamond to JKD NY.

**4. Paragraph 17 should be corrected since based upon Brinks' investigation, Mr. Stafford believes no tampering occurred while the Brinks' bag was in their possession. Mr. Stafford has testified in an affidavit (Doc. #14) that:**

39. Based upon conversations with Zuri Mesica, on February 13, 2006, I sent the Pink Diamond from Stafford Jewelers via Brinks, to JKD NY with a request that it be evaluated for a purchase by JKD NY or, if not a purchase, that it be certified and returned to me. A copy of the memo that I sent to JKD NY is attached to this Affidavit as Exhibit 7.

40. On February 14, 2006, I received a telephone call from Zuri Mesica that JKD NY received our package but that the box inside the Brinks shipping bag had been opened and it was empty.

41. Because Zuri could not answer any of my direct questions about what had happened, he gave me the name and telephone number of someone at JKD NY named "Heim" to call. I spoke with "Heim" and at first he told me that the box inside the Brinks shipping bag had been opened and that there was nothing inside the box and there was no evidence of any problem with the Brinks shipping bag. Later during the same conversation, after questioning, Heim told me that there now appears to have been some tampering with the Brinks shipping bag. Although I was led to believe by Zuri that JKD NY had contacted the New York police department and the FBI to investigate, I eventually found out that JKD NY did not contact the authorities. About one week after the Pink Diamond was

reported missing, Moses Lensky told me that JKD NY was advised not to be involved regarding the diamond and that it was between Stafford Jewelers and Brinks and he refused to discuss anything further with me.

42. On or about March 17, 2006, I received a letter from Brinks U.S. advising that they had completed their investigation and denying any claim that they were responsible for the loss. Brinks specifically stated that they picked up a sealed shipment from Stafford Jewelers for delivery to JKD NY on February 13, 2006, the shipment was placed in a sealed container for transportation to NY, upon arriving in New York the container and shipment were both still sealed with no evidence of tampering with either the container or shipment, and that JKD NY accepted and signed for the shipment without any notation or indication that the shipment had been tampered with. Attached as Exhibit 8 is the March 17, 2006 letter from Brinks.

**5. Paragraph 27 of Mr. Evan-Zohar's article suggests that Pink Diamond may have been HPHT color treated. Mr. Stafford has testified, however, that (Doc #86 and #93):**

4. When I purchased the Pink Diamond, I valued it at between \$1,500,000.00 and \$2,000,000.00. I am able to value diamonds based upon my training and years of experience and have testified as an expert witness on the subject of valuation of diamonds in both federal and state court. I have acted as an expert witness on behalf of the United States Attorney for the Southern District of Ohio. Attached to this Affidavit is Exhibit 1, which is a true and accurate copy of my opinion of the value of the Pink diamond as well as my experience in acting as an expert witness in the valuation of diamonds.

**6. In addition, Mr. Stafford would like to point out that he alerted the authorities to the Pink Diamond theft and testified by affidavit to the Court as follows:(Doc # 24):**

D. ... This is inaccurate since I personally contacted the Dayton and New York offices of the FBI as well as the New York City Police Department to report the loss. I would have done so earlier but was led to believe that JKD had already contacted the authorities.

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**SEBALY SHILLITO + DYER**

I have attached the documents and exhibits referenced above all of which is public record in the Federal Case. Please let me know if you have questions or would like further information. Thank you in advance for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dianne Marx", written in a cursive style.

Dianne F. Marx

Enclosures

c: Mr. John M. Stafford