

**BANKRUPTCY SALE - UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

TERMS AND CONDITIONS OF SALE FOR BIDDING ON DIAMOND ASSETS

In re: Fine Diamonds, LLC
Case No. 09-10492-REG

LOT NUMBERS 1- 327: All right, title and interest of, in and to the diamond Assets (as defined in the Motion dated April 15, 2010), pursuant to an Order of the Court dated June 14, 2010.

1. Gregory Messer, Esq., the Chapter 7 Trustee, through his Auctioneer, is selling the diamond Assets, free and clear of all liens, claims, encumbrances and interests ("Interests") with such Interests, if any, to attach to the proceeds of the sale with the same validity and priority as existed prior to the sale. The Assets are being sold on an "AS IS" and "WHERE IS" basis, without any representations and/or warranties of any kind or nature.

2. Qualified Bidders may arrange for an inspection of the Assets by appointment only with the Trustee's Auctioneer. Interested parties will be required to tender a refundable deposit to the Auctioneer, prior to inspection, in such sum as determined in the discretion of the Trustee and in consultation with the Auctioneer.

3. All bidders are required to present a bank or certified check made payable to David R. Maltz & Co., Inc. or Gregory Messer, Chapter 7 Trustee, in the amount of \$100,000.00 to bid in bulk, or \$25,000.00 to bid individually. Additional deposits will be required from all individual bidders in \$25,000.00 increments once they have bid \$100,000.00 and every additional \$100,000.00 thereafter. All bidders shall provide name, address and telephone number or bid paddle number to the Auctioneer.

4. The Auction shall occur on August 2, 2010 at 1:00 p.m., at the United States Bankruptcy Court, One Bowling Green, New York, New York 10004, in Courtroom 621, or such other Courtroom or room to be announced to interested bidders prior to the Auction. The Assets consist of lot numbers 5-39, 101-228, & 301-327. The Assets will first be offered for sale in bulk which is reflected as Lot #1. The assets will then be offered for sale in three separate bulk bids. Lot #2 is bidding in bulk for Lot # 5-39. Lot #3 is bidding in bulk for Lot # 101-228. Lot #4 is bidding in bulk for Lot # 301-327. The Assets will then be offered for sale individually. Whichever bidding method realizes the greater value to the estate, subject to confirmation of the Chapter 7 Trustee and Court approval, is the method by which the Assets will be sold. No bid shall be deemed accepted by the Trustee unless approved by the Bankruptcy Court. The Trustee reserves all rights, in his sole and absolute discretion, in consultation with the Trustee's Auctioneer and Trustee's counsel, to (a) determine which bid is the highest and/or best bid for the Assets, and (b) at or before the Auction, impose and/or modify the terms and conditions herein as determined to be in the best interests of the Debtor's estate, creditors and other parties in interest.

5. Bids shall not be subject to any financing or any other contingency, of any kind or nature, including without limitation, the due diligence of any bidder. Each bidder expressly acknowledges that it has made its own investigation concerning the Assets and is not relying on any statements, representations, guaranties, warranties, written or oral, made by the Trustee or the Trustee's Auctioneer. Prospective bidders are directed to conduct their own due diligence and/or investigation concerning the Assets, including without limitation, the value, description, quality, color, clarity, carat weight and/or cut of the Assets.

6. Upon notification of Court approval, the Successful Bidder must pay the balance of the successful bid amount in full, in certified funds only, by Friday, August 6 at 4:00 p.m. All payment instruments are to be made payable to "Gregory Messer, Esq., as Chapter 7 Trustee." All funds will be collected at the office of the Auctioneer, 155 Terminal Drive, Plainview, NY 11803. All diamonds must be removed from where stored no later than Monday, August 9, 2010 at 4:00 p.m. Removal will be conducted by appointment.

7. Removal of all Assets from its current location must be completed at the purchaser's cost, risk and expense. Any assets not removed by Monday, August 9, 2010 at 4:00 p.m. will be considered abandoned by the purchaser, and the Trustee will have no further obligation to safeguard same, and may dispose of such Assets in any way he deems appropriate, including the resale of the Assets. The Successful Bidder's deposit will be forfeited and he will remain liable for any deficiency as well as the cost and expenses incurred by such resale. The Backup Bidder or subsequent purchaser will not receive a credit based upon the Trustee's retention of the Successful

Bidder's deposit which shall be retained as liquidated damages to the Debtor's estate.

8. In the event of any disputed bid, the Trustee, through his Auctioneer, reserves the right to immediately reopen the bidding.

9. The auction sheets and records of sale as set forth by the Auctioneer must be accepted as final by all buyers.

10. No allowances or adjustments of any kind will be made. There will be no refunds, substitutions or exchanges of deposits.

11. The sale is subject to approval by the United States Bankruptcy Court for the Southern District of New York (the "Court"), at a hearing to be held on August 4, 2010 at 9:30 a.m. The Chapter 7 Trustee reserves the right to refuse or accept any and all bids. The Trustee shall have no obligation to accept or submit a bid for Court approval. Any and all disputes related to the terms and conditions of sale, the Auction and/or the sale of the Assets shall be adjudicated solely by the Court. The submission of a bid shall constitute express consent to the exclusive jurisdiction of the Court.

12. Any and all applicable taxes, including without limitation New York State Sales Tax, will be paid by the purchaser and collected as required by law.

13. IRS regulations require the Trustee and/or the Auctioneer to report all cash payments exceeding \$10,000.00 from anyone individual or entity.

14. In the event that the Trustee is unable, for any reason, to consummate the sale approved by the Bankruptcy Court, or in the event that the Bankruptcy Court does not approve the sale to the Successful Bidder, the estate's, Trustee's and Auctioneer's sole liability to any Successful Bidder shall be limited to returning the deposit, without interest.

15. Pursuant to Local Rule 6005-1(c), no auctioneer, or officer, director, stockholder, agent, or employee of an auctioneer, shall purchase directly or indirectly, or have a financial interest in the purchase of, any property of the estate that the Auctioneer has been employed to sell.

I, bidder # _____, have read the foregoing Terms & Conditions of Sale and have agreed to be bound by them.

x _____
Prospective Bidder

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