

09-04-1998

FORM PTO-1595  
(Rev. 6-93)

SHEET

U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

To the Honorable Commissioner

100810409

he attached original documents or copy thereof.

## 1. Name of conveying party(ies)

ANGELO MONGIELLO'S CHILDREN, LLC

Additional name(s) of conveying party(ies) attached?  
\_ Yes \_ No

## 2. Name and address of receiving party(ies)

Name: THE LOAN SOURCE INC.

Internal Address:

Street Address: 358 EAST 83RD STREET

City: NEW YORK State: NY Zip: 10028

Additional name(s) &amp; address(es) attached? \_ Yes \_ No

## 3. Nature of conveyance:

- ☐ Assignment dated March 19, 1998, a  
☒ Security Agreement copy of which is attached  
☐ Merger  
☐ Change of Name  
☐ Other

Execution Date: March 19, 1998

MRD 8-31-98

## 4. Application number(s) or patent number(s): Patent No. 4, 6, 11, 361

If this document is being filed together with a new application, the execution date of the application is:

A. Patent Application No.(s) \_\_\_\_\_

B. Patent No.(s) \_\_\_\_\_

Additional numbers attached? \_ Yes \_ No

## 5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Stephen R. Field, Esq.  
Internal Address:

Street Address: 620 Fifth Avenue

City: New York State: NY Zip: 10020

## 6. Total number of applications and patents involved . . . . .

1

7. Total fee (37 CFR 3.41) . . . . . \$ 60.00  
☒ Enclosed  
☐ Authorized to be charged to deposit account #8. Deposit account number: Not Applicable  
(Attach duplicate copy of this page if paying by deposit account)

Do not use this space

## 9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

THE LOAN SOURCE INC.  
 By: STEVEN D. KRAVITZ, PRES.  
 Name of Person Signing

Signature

Date

Total number of pages including cover sheet, attachments, and document):

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40.00 DP

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PATENT

REEL: 9414 FRAME: 0057

## PLEDGE/SECURITY AGREEMENT

THIS PLEDGE/SECURITY AGREEMENT, dated this 19 day of March, 1998, by and between Formaggio Italian Cheese Specialties, Inc., a New York corporation, ("Pledgor") and The Loan Source Inc., a Delaware corporation ("Pledgee").

WHEREAS, Pledgor wishes to obtain an SBA guaranteed loan from Pledgee under Section 7(a) of the Small Business Act as amended;

WHEREAS, Pledgee desires to obtain a security interest in certain property owned by and thereafter acquired by Pledgor; and

WHEREAS, as an inducement to Pledgee's making of such loan to Pledgor, Pledgor has agreed to grant to Pledgee a security interest in and to the Pledged Collateral (as hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the adequacy and receipt for which are hereby acknowledged, the parties hereto hereby agree as follows:

### ARTICLE I

#### DEFINITIONS AND INTERPRETATIONS

Section 1.1 Interpretations. Nothing herein expressed or implied is intended or shall be construed to confer upon any person other than Pledgee any right, remedy or claim under or by reason hereof. All covenants, stipulations and agreements herein contained by or on behalf of Pledgee shall be for the sole and exclusive benefit of Pledgee.

Section 1.2 Obligations Secured. The obligations secured hereby are the

obligations of Pledgor to Pledgee under the U.S. Small Business Administration Authorization and Loan Agreement (Loan No. 182-726-4006) (the "SBA Loan Agreement"), in the principal amount of \$100,000 thereunder, and any additional amounts payable by or chargeable to Pledgor thereunder or hereunder (the "Obligations").

## ARTICLE II

### PLEDGE AND ADMINISTRATION OF PLEDGED COLLATERAL

#### Section 2.1 Pledged Collateral.

(a) Pledgor hereby pledges to Pledgee, and creates in Pledgee for its benefit, a security interest, for such time as the Obligations shall remain outstanding, in and to all of Pledgor's right, title and interest in and to

(i) the property listed in Exhibit A attached hereto (and signed by the parties hereto), including, without limitation, any securities described therein (which securities are collectively referred to as the "Pledged Securities"), now owned by Pledgor, and all of the machinery, equipment, automobiles, furnitures and fixtures, accounts, accounts receivable, inventory and general intangibles acquired by Pledgor on and after the date of this Agreement; and

(ii) all products and proceeds from the pledged property.

The property pledged in Section 2.1(a)(i) hereof, the Pledged Securities and the proceeds of all such items are hereinafter collectively referred to as the "Pledged Collateral." The security interest granted by Pledgor to Pledgee in and to the Pledged Collateral shall be free and clear of all security interests and restrictions on transfer of any kind

except as provided in this Agreement or as may be imposed by applicable law.

(b) Simultaneously with the execution and delivery of this Agreement, Pledgor shall make, execute, acknowledge, file, record and deliver to Pledgee (i) the stock certificate or certificates for the Pledged Securities (if any), together with duly executed stock powers and (ii) any other documents reasonably requested by Pledgee to perfect its first-in-priority security interest in the Pledged Collateral. Simultaneously with the execution and delivery of this Agreement, Pledgor shall make, execute, acknowledge, file, record and deliver to Pledgee such documents and instruments, including, without limitation, financing statements, certificates, affidavits, stock powers and forms as may, in the reasonable opinion of Pledgee, be necessary to effectuate, complete or perfect, or to continue and preserve, the first-in-priority security interest of Pledgee in the Pledged Collateral, and Pledgee shall hold such documents and instruments as secured party, subject to the terms and conditions contained herein.

Section 2.2 Administration of Pledged Securities. Any Pledged Securities shall be evidenced by certificates registered in the name of Pledgor and shall be delivered to Pledgee by Pledgor, accompanied by such stock or other appropriate powers executed in blank by Pledgor as Pledgee may reasonably require.

Section 2.3 Rights; Interests; Etc. (a) So long as no Event of Default (as hereinafter defined) shall have occurred and be continuing:

(i) Pledgor shall be entitled to exercise any and all rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms hereof; and

(ii) Pledgor shall be entitled to receive and retain any and all interest, dividends, income and other payments and distributions paid or made in respect of, or in redemption of, the Pledged Collateral;

(b) Upon the occurrence and during the continuance of an Event in Default:

(i) Subject to this Section 2.3 (b) (iii) hereof, all rights of Pledgor to exercise the rights which it would otherwise be entitled to exercise pursuant to Section 2.3 (a) (i) hereof and to receive the interest, dividends, income and other payments and distributions which it would otherwise be authorized to receive and retain pursuant to Section 2.3 (a) (ii) hereof shall be suspended, and all such rights shall thereupon become vested in Pledgee who shall thereupon have the sole right to exercise such rights and to receive and hold as Pledged Collateral such interest, dividends, income and other payments and distributions; provided, however, that if Pledgee shall become entitled and shall elect to exercise its right to realize on the Pledged Collateral pursuant to Article V hereof, then all cash sums and the value of all securities, if any, referred to in Section 2.3 (a) (ii) hereof received by Pledgee, or held by Pledgor for the benefit of Pledgee and paid over pursuant to Section 2.3 (b) (ii) hereof, shall be applied against any outstanding Obligations;

(ii) All interest, dividends, income and other payments and distributions which are received by Pledgor contrary to the provisions of Section 2.3 (b)(i) hereof shall be received in trust for the benefit of Pledgee, shall be segregated from other property of Pledgor and shall be forthwith paid over to Pledgee;

(iii) notwithstanding anything contained herein to the contrary,

Pledgor shall retain any voting rights it may have with respect to any of the Pledged Securities until such time as Pledgee is entitled and elects to exercise its right to realize on the Pledged Securities pursuant to Article V hereof.

(c) Each of the following events shall constitute a default under this Agreement (each an "Event of Default"):

(i) any representation or warranty made in this Agreement shall prove to have been false or misleading when made in any material respect;

(ii) any default, whether in whole or in part, shall occur in the payment to Pledgee of principal, interest or other item comprising the Obligations as and when due;

(iii) any default, whether in whole or in part, shall occur in the due observance or performance of any other covenant, term or provision to be performed under this Agreement by Pledgor, which default is not described in any other subsection of this Section, and such default shall continue for a period of ten (10) days after the earlier of notice thereof to or knowledge thereof by Pledgor; provided, however, that if Pledgor shall have commenced to cure such default within such 10-day period and shall proceed continuously in good faith and with due diligence to cure such default, then such period instead shall be thirty (30) days;

(iv) Pledgor shall (1) make a general assignment for the benefit of its creditors, (2) apply for or consent to the appointment of a receiver, trustee, assignee, custodian, sequestrator, liquidator or similar official for itself or any of its assets and properties, (3) commence a voluntary case for relief as a debtor under the United States

Bankruptcy Code, (4) file with or otherwise submit to any governmental authority any petition, answer or other document seeking (A) reorganization, (B) an arrangement with creditors or (C) to take advantage of any other present or future applicable law respecting bankruptcy, reorganization, insolvency, readjustment of debts, relief of debtors, dissolution or liquidation, (5) file or otherwise submit any answer or other document admitting or failing to contest the material allegations of a petition or other document filed or otherwise submitted against it in any proceeding under any such applicable law, or (6) be adjudicated a bankrupt or insolvent by a court of competent jurisdiction; or

(v) any case, proceeding or other action shall be commenced against Pledgor for the purpose of effecting, or an order, judgment or decree shall be entered by any court of competent jurisdiction approving (in whole or in part) anything specified in of Section 2.3(c) (iv) hereof, or any receiver, trustee, assignee, custodian, sequestrator, liquidator or other official shall be appointed with respect to Pledgor, or shall be appointed to take or shall otherwise acquire possession or control of all or a substantial part of the assets and properties of Pledgor, and any of the foregoing shall continue unstayed and in effect for any period of 30 days.

### ARTICLE III

#### ATTORNEY-IN-FACT; PERFORMANCE

Section 3.1 Pledgee Appointed Attorney-in-Fact. Upon the occurrence of an Event of Default and only as long as such Event of Default shall be continuing, Pledgor hereby appoints Pledgee Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor or otherwise, from time to time in Pledgee's discretion to

take any action and to execute any instrument which Pledgee reasonably may deem necessary to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to Pledgor representing any dividend payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

Section 3.2    Pledgee May Perform. If Pledgor fails to perform any agreement contained herein, Pledgee, at its option, may itself perform, or cause performance of, such agreement, and the reasonable expenses of Pledgee incurred in connection therewith shall be payable by Pledgor under Section 8.3.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

Section 4.1    Authorization; Enforceability. Each of the parties hereto represents and warrants that it has taken all action necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and upon execution and delivery, this Agreement shall constitute a valid and binding obligations of the respective party, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights or by the principles governing the availability of equitable remedies.

Section 4.2    Ownership of Pledged Collateral. Pledgor warrants and represents that Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.



Section 4.3 Validity of Security Interest. Pledgor warrants and represents that the pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority pledge and security interest in the Pledged Collateral.

Section 4.4 Due Organization. Pledgor warrants and represents that Pledgor (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, (ii) has the corporate power and authority necessary to entitle it to use its corporate name and to own, lease or otherwise hold its properties and assets and to carry on its business as presently conducted or proposed to be conducted; (iii) is duly qualified and in good standing to do business as presently conducted or proposed to be conducted; and (iv) is duly qualified and in good standing to do business in every jurisdiction where the nature of the business conducted or the property owned or leased by it requires such qualification, except where the failure to so qualify would not have a material adverse effect on the business or financial condition of such corporation.

## ARTICLE V

### DEFAULT; REMEDIES; SUBSTITUTE COLLATERAL

Section 5.1 Default and Remedies. Upon the occurrence of an Event of Default, Pledgee in its sole discretion shall be entitled to receive all distributions with respect to the Pledged Collateral, to cause the Pledged Collateral to be transferred into the name of Pledgee or the name of any purchaser of the Pledged Securities, or its nominee, to dispose of the Pledged Collateral, and to realize upon any and all rights in the Pledged Collateral then held by Pledgee.

Section 5.2 Method of Realizing Upon the Pledged Collateral. Upon the occurrence of an Event of Default, in addition to any rights and remedies available at law or in equity, the following provisions shall govern Pledgee's right to realize upon the Pledged Collateral:

(a) Any item of the Pledged Collateral may be sold for cash or other value in any number of lots at brokers board, public auction or private sale and may be sold without demand, advertisement or notice (except that Pledgee shall give Pledgor seven (7) business days prior written notice of the time and place or of the time after which a private sale may be made (the "Sale Notice")), which notice shall be in any event commercially reasonable. At any sale or sales of the Pledged Collateral, Pledgor may bid for and purchase the whole or any part of the Pledged Collateral and, upon compliance with the terms of such sale, may hold, exploit and dispose of the same without further accountability to Pledgee. Pledgor will execute and deliver, or cause to be executed and delivered, such instruments, documents, assignments, waivers, certificates, and affidavits and supply or cause to be supplied such further information and take such further action as Pledgee reasonably shall require in connection with any such sale.

(b) Any cash being held by Pledgee as Pledged Collateral and all cash proceeds received by Pledgee in respect of, sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied against ( after the deduction of any amounts payable to Pledgee pursuant to Section 8.3 hereof) the Obligations. Any surplus of such cash proceeds held by Pledgee and remaining after payment in full of all Obligations shall be paid over to Pledgor or to whomsoever may be lawfully entitled to receive such

surplus.

(c) Pledgor and Pledgee acknowledge that the Pledged Securities and any other securities included in the Pledged Collateral may not be available for public sale without registration under the Securities Act of 1933, as amended (the "1933 Act"). Subject to the immediately preceding sentence, in the event of an Event of Default, Pledgee may offer for sale and sell any or all of the Pledged Securities in one or more private or public sales. Any such private sale of Pledged Securities shall be made pursuant to one or more exemptions from the registration requirements of the 1933 Act, and Pledgee shall deliver an opinion of counsel, in form reasonably satisfactory to counsel to Pledgor, as to the availability of such exemption. It is understood that if all or any part of the Pledged Collateral is sold as a private sale, Pledgee will sell such Collateral to the person making the highest bid for such Pledged Collateral, provided that Pledgee shall not be required to conduct an auction or otherwise solicit any specific number of offers for the Pledged Collateral or any part thereof.

(d) In addition to all of the rights and remedies which Pledgor and Pledgee may have pursuant to this Agreement, Pledgor and Pledgee shall have all of the rights and remedies provided by law, including, without limitation, those under the Uniform Commercial Code.

Section 5.3 Substitution of Collateral. Prior to the occurrence of an Event of Default, Pledgor shall be entitled to substitute for the Pledged Collateral, provided that Pledgee, in its sole discretion, consents thereto in writing and Pledgor and Pledgee agree in writing that the substitute collateral is of at least equal value and liquidity.

Section 5.4 Further Assurances. Pledgor will from time to time promptly, at

Pledgee's reasonable request, make, at Pledgor's expense, execute, acknowledge, deliver, file and record all such documents and instruments, including, without limitation, deeds to secure debt, mortgages, deeds of trust, security agreements, pledge agreements, financing statements, continuation statements, instruments of further assurance, certificates, affidavits, stock powers and forms and take all such action as Pledgee reasonably may request for perfecting, assuring and confirming the security interest in the Pledged Collateral, and the first priority thereof created thereunder, and as Pledgee reasonably may request with regard to the transactions contemplated hereby and the Pledged Collateral. Pledgee shall have the right to file financing statements with or without Pledgor's signature.

Section 5.5 Duties Regarding Pledged Collateral. Pledgee shall have no duty as to the collection or protection of the Pledged Collateral or any income thereon or as to the preservation of any rights pertaining thereto, beyond the safe custody and reasonable care of any of the Pledged Collateral actually in Pledgee's possession.

## ARTICLE VI

### AFFIRMATIVE COVENANTS

Pledgor covenants and agrees that, from the date hereof and until the Obligations have been fully paid and satisfied, unless Pledgee shall consent otherwise in writing (as provided in Section 8.4 hereof):

Section 6.1 Existence, Properties, Etc.

(a) Pledgor shall do, or cause to be done, all things, or proceed with due diligence with any actions or courses of action, that may be necessary (i) to maintain its due

organization, valid existence and good standing under the laws of its state of incorporation, and (ii) to preserve and keep in full force and effect all qualifications, licenses and registrations in those jurisdictions in which the failure to do so could have a Material Adverse Effect (as defined in this Section 6.1(a)); and (b) Pledgor shall not do, or cause to be done, any act impairing its corporate power or authority (i) to carry on its business as now conducted, and (ii) to execute or deliver this Agreement, the SBA Loan Agreement or any other loan instrument delivered pursuant to the SBA Loan Agreement (which SBA Loan Agreement and other loan instruments collectively shall be referred to the "Loan Instruments") to which it is or will be a party, or perform any of its obligations hereunder or thereunder. For purposes of this Agreement, the term "Material Adverse Affect" shall mean any material and adverse affect, whether individually or in the aggregate, upon (a) Pledgor's assets, business, operations, properties or condition, financial or otherwise, (b) the ability of Pledgor to make payment as and when due of all or any part of the Obligations, or (c) the Pledged Collateral.

Section 6.2 Required Notices. Pledgor shall give, or cause to be given, immediate written notice to Pledgee of: (a) any change in the name or the location of the executive office or principal place of business of Pledgor ; (b) any change in location or material change in the status of the Pledged Collateral; (c) the institution or, to the best knowledge of Pledgor, the threat or contemplation of any action, suit or proceeding (whether or not purportedly on behalf of Pledgor) at law, in equity, in arbitration or before any other authority involving or affecting (i) Pledgor that, if adversely determined, could have a Material Adverse Effect, (ii) the Obligations, (iii) any part of the Pledged Collateral, (iv) any of the transactions contemplated in this Agreement and the Loan Instruments, or (v) any plan or any

assets and properties of a benefit plan that, if adversely determined, could materially and adversely affect such plan, any such assets and properties or the funding or other liabilities of Pledgor or any of its subsidiaries or affiliated entities (as defined in Section 6.10 hereof) in respect thereof; (d) the occurrence of any accumulated funding deficiency, prohibited transaction, reportable event, disqualification or termination, or the imposition of any penalty or withdrawal liability in respect of any benefit plan under and as such words and phrases are defined in the Employee Retirement Income Security Act of 1974 ("ERISA") or the Internal Revenue Code of 1986, as amended (the "Code"), as applicable, that, if adversely determined, could materially and adversely affect such plan, any such assets and properties or the funding or other liabilities of Pledgor or any of its subsidiaries or affiliated entities in respect thereof; (e) any act or event that violates, is in conflict with, results in a breach of or constitutes a default (with or without the giving of notice or the passage of time or both) under (i) this Agreement, (ii) the Loan Instruments, (iii) any other material instrument, indenture, agreement or obligation to which Pledgor is a party or by which it, any part of the Pledged Collateral or any of its other assets and properties is or may be bound or subject; (f) the loss of any customer(s) who may be material (whether individually or in the aggregate) to the business and prospects of Pledgor; or (g) any other event that could have or has had a Material Adverse Effect.

Section 6.3 Payment of Debts, Taxes, Etc. Pledgor shall pay, or cause to be paid, all of its indebtedness and other liabilities and perform, or cause to be performed, all of its obligations promptly and in accordance with the respective terms thereof, and promptly pay and discharge, or cause to be paid or discharged, all taxes, assessments and other

governmental charges and levies imposed upon it, upon its income or receipts or upon any of its assets and properties on or before the last day on which the same may be paid without penalty, as well as pay all other lawful claims (whether for services, labor, materials, supplies or otherwise) as and when due; provided, however, that it shall not constitute a breach of this Section if Pledgor fails to perform any such obligation or to pay any such indebtedness or other liability (except for the Obligations), tax, assessment, or governmental or other charge, levy or claim (i) that is being contested in good faith and by proper proceedings diligently pursued, (ii) if the effect of such failure to pay or perform will not (A) accelerate the maturity thereof, or of any other debt or obligation of Pledgor, or (B) subject any part of the assets and properties of Pledgor to sale or forfeiture, and (iii) for which Pledgor has obtained a bond or insurance, or established a reserve, in an amount that in the reasonable judgment of Pledgee is adequate and satisfactory.

Section 6.4 Accounts and Reports. Pledgor shall maintain a standard system of accounting in accordance with generally accepted accounting principles consistently applied and provide, at its sole expense, to Pledgee the following:

- (a) as soon as available and in any event within 90 days after the end of each fiscal year of Pledgor, commencing with the fiscal year ending May 31, 1998, a balance sheet of Pledgor as at the end of that fiscal year and the related statements of earnings, shareholders' equity and cash flow for such fiscal year, all with accompanying notes, in reasonable detail and stating in comparative form the figures as at the end of and for the previous fiscal year, prepared in accordance with generally accepted

accounting principles consistently applied, and compiled by a firm of independent certified public accountants of recognized standing designated by Pledgee in writing to review Pledgor's books;

- (b) as soon as available, and in any event within 90 days after the end of each six-month period of each of its fiscal year, a balance sheet of Pledgor as at the end of such six-month period and the related statements of earnings, shareholders' equity and cash flow for such fiscal year, all with accompanying notes, in reasonable detail and stating in comparative form the figures as at the end of and for the previous fiscal year, prepared in accordance with generally accepted accounting principles consistently applied, and compiled by a firm of independent certified public accountants of recognized standing designated by Pledgee in writing to review Pledgor's books;
- (c) concurrently with the delivery of the financial statements described in Sections 6.4(a) and (b) hereof, a written certificate signed by the president and the chief financial officer of Pledgor to the effect that, having read this Agreement and the Loan Instruments, nothing came to their attention during the course of their examination that caused them to believe any Event of Default, or any other event that (with the giving of notice or the passage of time or both) would constitute an Event of Default, had occurred and had not theretofore been reported and remedied, or if any such Event of Default or other event had occurred



and was continuing or was not previously reported, specifying the facts with respect thereto;

- (d) as soon as available, a copy of any notice or other communication alleging any nonpayment or other material breach or default, or any foreclosure or other action respecting any material portion of its assets and properties, received respecting any of the indebtedness of Pledgor in excess of \$10,000 (other than the Obligations), or any demand or other request for payment under any guaranty, assumption, purchase agreement or similar agreement or arrangement respecting the indebtedness or obligations of others in excess of \$10,000 including any received from any person acting on behalf of the holder or beneficiary thereof, provided, that Pledgor shall not wait for such copies to become available to give any notice required under the circumstance by Section 6.2 hereof;
- (e) as soon as available, a copy of any notice or other communication alleging the invalidity, non-binding effect or unenforceability of, any material error or other defect in, any material omission from, or any nonpayment or other material breach or default under any material receivable, note, instrument, stock certificate, contract or other intangible included in the Pledged Collateral, or requesting or proposing any waiver, modification or amendment of any of the forgoing, respecting the time, manner or amount of payment, the amount, identity

or priority of any Pledged Collateral, any of the secured party's rights and remedies regarding any collateral, or any other material term or provision, provided that Pledgor shall not wait for such copies to become available to give any notice required under the circumstances by Section 6.2 hereof;

- (f) as soon as available, and in any event not less than 30 days prior to adoption, copies of each proposed modification, waiver, amendment or termination of any of the provisions of the certificate of incorporation or by-laws of Pledgor, the employment contracts, shareholders agreement or any other agreement between Pledgor and any shareholder of Pledgor (in their capacity as shareholders or otherwise); promptly following adoption, copies of each of the foregoing certified as to the accuracy thereof by the secretary of Pledgor, as applicable; and such other supporting documents reasonably specified by Pledgee in writing from time to time may request;
- (g) as soon as possible, and in any event within 35 days after the filing thereof, copies of all tax returns, informational statements and reports filed by Pledgor with the Internal Revenue Service of the United States of America, in each case certified as a true and complete copy thereof by the president and the chief financial officer of Pledgor;
- (h) as soon as available, copies of each material report, statement or other document, whether periodic or otherwise, any notice or other

communication concerning any material accumulated funding deficiency, prohibited transaction, reportable event, penalty, withdrawal liability, disqualification or termination under (and as such words and phrases are defined in) ERISA or the Code in respect of, or any other alleged violation thereof material to, any benefit plan, the assets and properties of any benefit plan or the funding or other liabilities of Pledgor or any of its subsidiaries or affiliated entities in respect thereof, any responsive communication on the part of Pledgor, or any preliminary or final determination of any authority in respect thereof, provided that Pledgor shall not wait for such copies to become available to give any notice required under the circumstances by Section 6.2 hereof; and

(i) contemporaneously with each submission or filing, a copy of any report, registration statement, proxy statement, financial statement, notice or other document, whether periodic or otherwise, submitted to the shareholders of Pledgor, or submitted to or filed by Pledgor with any governmental authority (other than those referenced in Section 6.4 (g), above) involving or affecting (i) any registration of Pledgor or its securities, (ii) Pledgor that could have a Material Adverse Effect, (iii) the Obligations, (iv) any part of the Pledged Collateral or (v) any of the transactions contemplated in this Agreement or the Loan Instruments, including, without limitation, those submitted or filed pursuant to the Securities Act of 1933, as amended, the Securities Exchange Act of

1934, as amended, any state securities, blue sky or other applicable laws, the rules and regulations of any securities exchange or organization with or on which any of its securities are listed or quoted, the National Labor Relations Act, as amended, or any other applicable laws respecting the rights of employees or unions; together with such supplements to the aforementioned documents and additional accounts, reports, certificates, statements, documents and information as Pledgee may request, each in such form and substance as may be reasonably acceptable to Pledgee. The various financial statements required under this Section 6.4 shall be presented in both consolidated and consolidating formats in the event Pledgor establishes or acquires any subsidiaries.

Section 6.5 Compliance with Applicable Laws; Operations. Pledgor promptly and fully shall comply with, conform to and obey all current applicable laws and all future applicable laws in all material respects as the same shall take effect, the non-compliance with or violation of which could have a Material Adverse Effect. In any event, Pledgor shall procure, store, manufacture, distribute and dispose of all inventory and use and operate all machinery, equipment and real estate in full compliance with and conformity to all applicable laws in all material respects, including, without limitation, (i) all applicable permits, license, authorizations, consents or approvals of authorities and (ii) all applicable laws pertaining to employment, zoning, pollution, hazardous materials, toxic substances, public health or safety, occupational health or safety or the environment.

Section 6.6 Access to Premises Records and Pledged Collateral. At all

reasonable times during normal business hours and as often as Pledgee reasonably may request, Pledgor shall permit representatives designated by Pledgee to (i) have complete and unrestricted access to the premises of Pledgor and of its subsidiaries and affiliated entities, the books and records of Pledgor and of its subsidiaries and affiliated entities, and the Pledged Collateral, (ii) make copies of, or excerpts from, those books and records and (iii) discuss the Pledged Collateral or the accounts, assets, business, operations, properties or condition, financial or otherwise, of Pledgor and of its subsidiaries and affiliated entities, with their respective officers, directors, employees, accountants, attorneys and agents. Unless an Event of Default shall then be continuing, Pledgee shall use its best efforts to provide Pledgor with notice at least two business days prior to any visit by Pledgee's representatives for the purpose of inspecting Pledgor's operations, premises, books or records under clauses (i) and (ii) of this Section 6.6.

Section 6.7 Maintenance and Insurance.

(a) Pledgor shall maintain or cause to be maintained, at its own expense, all of its assets and properties in good working order and condition, making all necessary repairs thereto and renewals and replacements thereof.

(b) Pledgor shall maintain or cause to be maintained, at its own expense, insurance in form, substance and amounts (including deductibles) reasonably acceptable to Pledgee (i) adequate to insure all assets and properties of Pledgor, which assets and properties are of a character usually insured by persons engaged in the same or similar business against loss or damage resulting from fire, flood, hurricanes or other risks included in an extended coverage policy, (ii) against public liability and other tort claims that may be incurred by

Pledgor, (iii) as may be required by the Loan Instruments or applicable law and (iv) as may be reasonably requested by Pledgee, all with adequate, financially sound and reputable insurers, and all naming Pledgee as an additional insured and loss payee under a standard mortgagee's endorsement as Pledgee's interest may appear.

(c) Pledgor shall maintain or cause to be maintained, at its own expense, insurance in form and substance reasonably acceptable to Pledgee insuring the life of Anthony Mongiello in the total amount of \$125,000, which policy shall be assigned to Pledgee by a collateral security assignment or absolute assignment form, as determined by Pledgee, properly acknowledged by the home office of the insurer (such insurance, under one or more policies in the requisite aggregate amount, collectively, the "Insurance Policy"). Pledgee shall retain and apply the proceeds of the Insurance Policy against the Obligations, initially to be applied against the outstanding portion thereof other than the principal and interest amount thereof, then against the interest thereof and lastly against the principal thereof.

Section 6.8 Contracts and Other Collateral. Pledgor shall perform all of its obligations under or with respect to each instrument, receivable, contract and other intangible included in the Pledged Collateral to which Pledgor is now or hereafter will be party on a timely basis and in the manner therein required, including, without limitation, the SBA Loan Agreement; and Pledgor shall enforce all of its rights under all such instruments, agreements and other receivable on a timely basis to the full extent permitted by applicable law.

Section 6.9 Defense of Collateral, Etc. Pledgor shall defend and enforce its right, title and interest in and to any part of (a) the Pledged Collateral, and (b) if not included within the Pledged Collateral, those assets and properties whose loss could have a Material

Adverse Effect, Pledgor shall defend Pledgee's right, title and interest in and to each and every part of the Pledged Collateral, each against all manner of claims and demands on a timely basis to the full extent permitted by applicable law. Pledgor shall cause all of each Pledgor's stockholders to agree not to make any transfer of any stock of Pledgor without the prior written consent of Pledgee and the U.S. Small Business Administration.

Section 6.10 Additional Guaranties; Bank Accounts. Pledgor shall cause any subsidiary or affiliated entity formed after the date hereof to guarantee Pledgor's obligations arising pursuant to the SBA Loan Agreement by executing and delivering such guaranty instruments, in the form originally signed by Pledgor or its shareholders or as otherwise reasonably required by Pledgee, within 15 business days after the formation thereof. For purposes of this Agreement, an "affiliated entity" of Pledgor shall mean any corporation, partnership, limited liability company, trust or any other form of entity or person in which Pledgor or its shareholders shall own equity, or a beneficial interest therein, of at least 10% of such entity or person. Pledgor shall cause all withdrawals from any bank accounts maintained by it to be signed by at least two of its officers.

## ARTICLE VII

### NEGATIVE COVENANTS

Pledgor covenants and agrees that, from the date hereof until the Obligations have been fully paid and satisfied, unless Pledgee shall consent otherwise in writing (as provided in Section 8.4 hereof):

Section 7.1 Indebtedness. Pledgor shall not directly or indirectly permit, create, incur, assume, permit to exist, increase, renew or extend on or after the date hereof any indebtedness on its part, including commitments, contingencies and credit availabilities, or apply for or offer or agree to do any of the foregoing, except that Pledgor may incur or permit to exist: (a) indebtedness owed to Pledgee; (b) indebtedness incurred in the ordinary course of business, including, without limitation, to suppliers, distributors, carriers, materialmen and laborers; and (c) other indebtedness subordinated to the Obligations in such form and substance as may be acceptable to Pledgee in its sole discretion and as to which it consents in writing. Pledgor shall not prepay or acquire, in whole or in part, any of its indebtedness except to Pledgee as permitted by agreement or consent.

Section 7.2 Guaranties. Pledgor shall not directly or indirectly guaranty, assume or otherwise become liable or responsible for the indebtedness or other obligations of any other person, or offer or agree to do so, including agreements to purchase those obligations or to purchase, sell or lease any securities, assets, properties or services or make any capital contribution, advance or loan for the purpose of paying or discharging such obligations, including any increase, renewal or extension thereof, except for: (a) any guaranty of indebtedness owed to Pledgee; (b) the endorsement of negotiable instruments for collection or deposit in the ordinary course of Pledgor's business; and (c) any guaranty incurred in the ordinary course of business.

Section 7.3 Liens and Encumbrances. Pledgor shall not directly or indirectly make, create, incur, assume or permit to exist any assignment, pledge, mortgage, security interest or other lien or encumbrance of any nature in, to or against any part of the Pledged



Collateral, or offer or agree to do so, or own or acquire or agree to acquire any asset or property of any character subject to any of the foregoing encumbrances (including any conditional sale contract or other title retention agreement), or assign, pledge or in any way transfer or encumber its right to receive any income or other distribution or proceeds from any part of the Pledged Collateral, or enter into any sale-leaseback financing respecting any part of the Pledged Collateral as lessee, or cause or assist the inception or continuation of any of the foregoing; provided, however, that the foregoing restrictions shall not prohibit (to the extent otherwise not prohibited by this Agreement):

(a) liens for taxes, assessments, governmental charges, levies or claims described in Section 6.3, if payment thereof shall not then be required to be made by this Section 7.3;

(b) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance, statutory obligation or social security legislation, or for any purpose at the time required by law as a condition precedent to the transaction of business or the exercise of any of the privileges or licenses of Pledgor; and

(c) the security interests and other liens and encumbrances granted from time to time to Pledgee.

Section 7.4 Sale or Disposition of Collateral, Etc. Pledgor shall not directly or indirectly: (a) sell, lease, sublease, transfer, exchange, abandon or otherwise dispose of, surrender physical possession or control of, physically alter or relocate all or any portion of the Pledged Collateral, or offer or agree to do so, other than as permitted by Sections 7.3 and 7.4 hereof and other than any sale of inventory in the ordinary course of business; or (b) cause,

suffer or permit any supplement, modification or amendment to, or any waiver of any term or provision of this Agreement or the Loan Instruments, or any receivable, note, instrument, stock certificate, contract or other intangible included in the Pledged Collateral, or offer or agree to do so, without in each case the prior written consent of Pledgee.

Section 7.5 Investments, Loans, Advances, Etc. Pledgor shall not directly or indirectly purchase or otherwise acquire, hold or invest in the securities of any person, or make loans or advances of money or enter into any agreement or other arrangement for the purpose of providing funds or credit to any person (other than customer accounts in the normal course of business and guaranties permitted hereunder), or enter into any partnership, joint venture or other entity or business arrangement with or make any equity investment in any person, or offer or agree to do so, except for: (a) the continuation of investments in the securities of its subsidiaries received in connection with past contributions or investments; (b) the purchase of securities issued or guaranteed by the United States of America; (c) deposits in the United States domestic commercial banks that have, or are members of a group of domestic commercial banks that has, consolidated total assets of not less than one billion U.S. dollars, or investments in the certificates of deposit, commercial paper or other permissible market rate instruments offered by any such bank, the holding company of any such bank or any subsidiary of any such holding company; (d) normal business banking accounts in federally insured institutions in amounts not exceeding the limits of such insurance; and (e) the purchase of commercial paper rated P-1 or its equivalent by NCO-Moody's or Standard & Poor's.

Section 7.6 Merger; Subsidiaries; and Asset Dispositions. Pledgor shall not directly or indirectly: (a) consolidate or merge with or acquire control of any other person, or

offer or agree to do so (including any merger in which Pledgor shall be the surviving corporation); (b) establish or acquire any new subsidiary or enter into any new joint venture or similar business arrangement engaging in an aspect of Pledgor's business; or (c) sell, lease, sublease, transfer, exchange or otherwise dispose of all or a substantial part of its assets and properties individually or in series of transactions, or offer or agree to do so, other than inventory, machinery and equipment in the ordinary course of business.

Section 7.7 Leases; Capital Expenditures; Leasehold Improvements. Pledgor shall not directly or indirectly enter into, create, incur, assume, permit to exist (a) any lease of any real or personal property, (b) any capital expenditure, or (c) any leasehold improvement, except that the foregoing restriction shall not apply to (a) the current lease of real property constituting Pledgor's existing principal place of business, if any; (b) any lease of tangible personal property required in connection with the ordinary course of business conducted by Pledgor which does not exceed in the aggregate, either singly or as part of a series of transactions, the sum of \$40,000 in any fiscal year of Pledgor commencing after the date of this Agreement; (c) any capital expenditure and/or additional leasehold improvement which do not exceed in the aggregate the sum of \$40,000 in any fiscal year of Pledgor, commencing with the fiscal year in which this Agreement is executed and delivered, which limitations set forth in Section 7.7(b) and (c) hereof shall not be cumulative; and (d) if any of the loan proceeds are to be used for the acquisition, renovation or reconstruction of an existing building, Pledgor must occupy 51 % of the rentable property and the remaining rentable property may be leased out to any third party, provided that the loan proceeds are not used to remodel or convert the space to be leased out.

Section 7.8 Character of Business. Pledgor shall not directly or indirectly cause, suffer or permit any material change in the character of its business as conducted on the date of this Agreement, or offer or agree to do so.

Section 7.9 Management Staff. Pledgor shall not directly or indirectly change the executive management or control of Pledgor, whether by a change in any executive office, management staff function, a change in ownership or otherwise, except that if within 90 days thereafter, an executive officer is replaced by a qualified executive with Pledgee's written approval, or the responsibilities of that executive officer are reassigned in a manner reasonably acceptable to Pledgee.

Section 7.10 Disposition, Encumbrance and Issuance of Securities. Pledgor shall not directly or indirectly issue, sell, transfer or otherwise dispose of, or pledge, hypothecate, grant a security, equity or other beneficial interest in or to or otherwise encumber, any securities of its own issue to any person other than Pledgee, or offer or agree to do so, or cause, assist, suffer or permit any of its subsidiaries or affiliated entities to directly or indirectly issue, sell, transfer or otherwise dispose of or so encumber any securities of which the subsidiary or affiliated entity is the issuer.

Section 7.11 Use of Loans. Pledgor shall not directly or indirectly use any portion of the loan made under the SBA Loan Agreement, or cause, assist, suffer or permit the use of any portion of such loan, in whole or in part, other than as set forth in the Loan Instruments.

Section 7.12 ERISA Plans. Pledgor shall not directly or indirectly establish, maintain, participate in or permit to exist any employee pension, benefit, welfare or other plan

subject to ERISA or the Code for any employees of Pledgor or any of its subsidiaries or affiliated entities other than the benefit plans in existence on the date of this Agreement. Pledgor shall use its best efforts to obtain or continue the qualification of each such plan under ERISA and the Code, as applicable, in all material respects (subject to the right of Pledgor to terminate any such plan in accordance with its provisions and such applicable laws), shall prepare and deliver each material report, statement or other document required by ERISA and the Code within the period specified therein and conforming in form and substance to the provisions thereof in all material respects and shall administer each such plan in all material respects in accordance with ERISA and the Code, as applicable; and shall use its best efforts to cause its subsidiaries and affiliated entities to do each of the foregoing. In any event, Pledgor shall not, and shall not cause or permit any of its subsidiaries or affiliated entities to incur or continue any accumulated funding deficiency or withdrawal liability, engage in any prohibited transaction, fail to report and (to the extent applicable) contest in good faith or correct any reportable event, fail in a timely fashion to pay any penalty imposed and correct the underlying transgression, or cause to permit any disqualification or termination (other than as permitted above) in respect of any such plan under (and as such words and phrases are defined in) ERISA or the Code, as applicable, fail to file with the appropriate authority any required notice or report as and when due or fail to respond in a timely fashion to any notice or other communication from any authority.

Section 7.13 Management Compensation. Pledgor shall not directly or indirectly make any payment or distribution of cash or property to or for the benefit of any officer of Pledgor or for the benefit of any member of the family of any such officer, whether by

virtue of such office or in any other capacity, except that Pledgor may (i) pay regular salaries or bonuses to its officers or any family member thereof aggregating not more than a total of \$150,000 per annum, (ii) make reasonable expense reimbursements and provide reasonable benefits in accordance with the existing management employment contracts, (iii) make available normal employee benefits available to all employees on a nondiscriminatory basis (including medical, life, disability, pension and 401(k) plans), and (iv) make any payment or distribution otherwise expressly permitted under this Agreement.

Section 7.14 Transactions with Affiliates. Pledgor shall not directly or indirectly enter into any transaction (including, without limitation, the lease, purchase, sale or exchange of any asset or property, the making of any advance or loan or the entering into of any agreement or arrangement for any payment in respect of any fee, charge or other expense for services performed or to be performed or any allocation of administrative salaries, expenses and other general overhead) with any affiliated entity other than in the ordinary course and pursuant to the reasonable requirements of the business of Pledgor and upon fair and reasonable terms and provisions no less favorable to Pledgor than it could have obtained in a comparable arms-length transaction with a person who is not an affiliated entity of Pledgor.

Section 7.15 Certain Financial Requirements.

(a) Pledgor's Net Worth, current assets, current liabilities and other financial measurements used in the following covenants shall be determined in accordance with generally accepted accounting principles (as of the date of calculation) consistently applied except to the extent otherwise specified by a particular definition or covenant.

(b) For purposes of this Agreement, the term "Net Worth" shall mean (a) the

aggregate amount of all assets and properties of a referenced person, less (b) the aggregate amount of all liabilities of that person, all as determined in accordance with generally accepted accounting principles consistently applied. In the event the referenced person is a corporation with one or more subsidiaries, the term "Net Worth" shall mean the Net Worth of all of them consolidated in accordance with generally accepted accounting principles consistently applied as of the date of calculation.

(c) Pledgor shall not permit its debt to equity ratio at any time to be greater than 4 to 1.

(d) Pledgor shall not permit its working capital (i.e., the excess of its current assets over its current liabilities) to be at any time less than that necessary to maintain a 1.15 debt coverage ratio.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.1 Notices. All notices or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as duly given on (a) the date of delivery, if delivered in person, by nationally recognized overnight delivery service or by facsimile or (b) three days after mailing if mailed from within the continental United States by registered or certified mail, return receipt requested to the party entitled to receive the same, if to Pledgor, Formaggio Italian Cheese Specialties, Inc., a New York corporation, 175 Lynhurst Avenue, Staten Island, New York 10305, with a copy to John DeNoia, Esq., 843 Rahway Avenue, Woodbridge, New Jersey 07095, and if to Pledgee, The Loan Source Inc., 353 East 83rd Street,

Apt. 3H, New York, New York 10028, with a copy to Law Offices of Stephen R. Field, 620 Fifth Avenue, 3rd Floor, New York, New York 10020, Attn: Stephen R. Field, Esq. Any party may change its address by giving notice to the other party stating its new address. Commencing on the 10th day after the giving of such notice, such newly designated address shall be such party's address for the purpose of all notices or other communications required or permitted to be given pursuant to this Agreement.

Section 8.2 Severability. If any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

Section 8.3 Expenses. In the event of an Event of Default, Pledgor will pay to Pledgee the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel, which Pledgee may incur in connection with (i) the custody or preservation of, or the sale, collection from, or other realization upon, any of the Pledged Collateral, (ii) the exercise or enforcement of any of the rights of Pledgee hereunder or (iii) the failure by Pledgor to perform or observe any of the provisions hereof.

Section 8.4 Waivers, Amendments, Etc. Pledgee's delay or failure at any time or times hereafter to require strict performance by Pledgor of any undertakings, agreements or covenants shall not waive, affect, or diminish any right of Pledgee under this Agreement to demand strict compliance and performance herewith. Any waiver by Pledgee of any Event of Default shall not waive or affect any other Event of Default, whether such Event of Default is prior



or subsequent thereto and whether of the same or a different type. None of the undertakings, agreements and covenants of Pledgor contained in this Agreement, and no Event of Default, shall be deemed to have been waived by Pledgee, nor may this Agreement be amended, changed or modified, unless such waiver, amendment, change or modification is evidenced by an instrument in writing specifying such waiver, amendment, change or modification and signed by Pledgee.

Section 8.5 Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full of the Obligations, (ii) be binding upon Pledgor and its successors and (iii) inure to the benefit of Pledgee and its successors and permitted assigns. Upon the payment or satisfaction in full of the Obligations, Pledgor shall be entitled to the return, at its expense, of such of the Pledged Collateral as shall not have been sold, returned in accordance with Section 5.2 hereof or otherwise applied pursuant to the terms hereof.

Section 8.6 Applicable Law; Jurisdiction. This Agreement and the rights of the parties hereunder shall be governed by and construed in accordance with the laws of New York. All parties hereto (i) agree that any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted only in a New York state court or federal court in the City of New York, State of New York in the United States of America, (ii) waive any objection which they may now or hereafter have to the laying of the venue of any such suit, action or proceeding, and (iii) irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York, or any court of the State of New York, in any such suit, action or proceeding, but such consent shall not constitute a general appearance or be available to any other person who is not a party to this Agreement. All parties hereto agree that the mailing of any

process in any suit, action or proceeding in accordance with the notice provisions of this Agreement shall constitute personal service thereof.

Section 8.7 Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understanding among them with respect to the subject matter hereof.

Section 8.8 Number and Gender. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter.

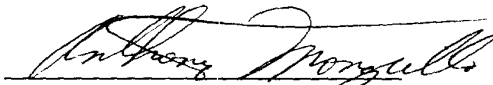
Section 8.9 Conflict with SBA Loan Agreement. In the event of a conflict between any provision of the SBA Loan Agreement and any provision of this Agreement, the provision of the SBA Loan Agreement shall control.

Section 8.10 Pledge by Anthony Mongiello and by Angelo Mongiello's Children


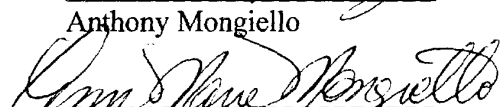
LLC. Notwithstanding anything contained herein to the contrary, Anthony Mongiello and Angelo Mongiello's Children LLC (the "LLC") hereby pledge to Pledgee a security interest subject to the terms of Section 2.1 and all other terms herein, of all of his, and the LLC's, right, title and interest in and to the property listed in Exhibit B-1 and B-2 attached hereto, respectively, with the same force and effect as if Anthony Mongiello and the LLC were each originally named a party to this Agreement, and all of the terms hereof shall be applicable thereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

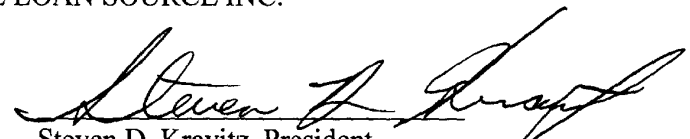
FORMAGGIO ITALIAN CHEESE SPECIALTIES,  
INC.

By:   
Anthony Mongiello, President  
PLEDGOR

Agreed to as of  
Section 6.9:

  
Anthony Mongiello  
  
Ann Marie Mongiello

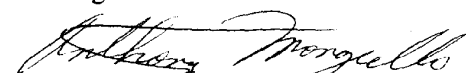
THE LOAN SOURCE INC.

By:   
Steven D. Kravitz, President  
PLEDGEE

Agreed as to Section 8.10:

  
Anthony Mongiello

Angelo Mongiello's Children LLC

By:   
~~ANTHONY~~ ~~Angelo~~ Mongiello, Manager

## EXHIBIT A

First security interest on all machinery, equipment, automobiles, fixtures, furniture, inventory, accounts, accounts receivable and general intangibles, now owned and hereafter acquired by Pledgor and the products and proceeds therefrom, including, without limitation, the items listed below:

FORNAGGIO ITALIAN SPECIALTIES INC  
170 LYN HURST AVE  
STATEN ISLAND NY 10305

EQUIPMENT LIST

MARCH 19, 1998

- 1) ONE CHEESE SLICER  
CUSTOM MADE
- 2) ONE CHEESE COOKER  
CUSTOM MADE
- 3) ONE CHEESE MOLDING MACHINE  
WITH MULTIPLE SIZES & HEADS  
CUSTOM MADE
- 4) ONE CHEESE EXTRUDER  
CUSTOM MADE
- 5) ONE VACUUM PACKAGING MACHINE  
UNIVERSAL VACUUM SYSTEMS

TOTAL ESTIMATED VALUE

\$100,000.00

By: *Anthony Mongiello*  
ANTHONY MONGIELLO  
PRESIDENT

WITNESS  
*Benjamin Ellopp*

PATENT

REEL: 9414 FRAME: 0093

EXHIBIT B-1

PLEDGED PROPERTY OF  
ANTHONY MONGIELLO

The net proceeds received by Anthony Mongiello from the sale, exchange or any other disposition of his ownership of 25% of the shares of common stock of 462 Carroll Street Realty Corp.

EXHIBIT B-2

PLEDGED PROPERTY FROM  
ANGELO MONGIELLO'S CHILDREN, LLC

1. An undivided 40% interest in U.S. Patent 4,611,361 and any improvements, additions, continuations or any other changes with respect thereto.

2. An undivided 40% interest in the net recovery of damages in the pending litigation for infringement of the above patent pending in the United States District Court Eastern District of New York entitled Angelo Mongiello's Children, LLC v. Pizza Hut, Inc. docket no. 95 Civ. 4601 (EHN), after payment of attorneys fees and expenses.