E. «Project_Name» («Project_Number»)
«Approval_Date»

General Project Plan

Grantee: Melita Corp.

ESD Investment: A grant of up to $100,000 to be used for a portion of the cost of the purchase of machinery and equipment.

Project Locations: 828 East 144th Street, Bronx*
38-11 23rd Street, Long Island City, Queens

*Project activity site; jobs will be relocated from the other location once project is complete.

NYS Empire Zone: Port Morris

ESD Incentive Offer Accepted: July 30, 2010

Project Completion: January 2011

Number of Employees at Facilities:

Initial employment at time of ESD Incentive Offer:	119
Current employment level:	132
Minimum employment by January 1, 2014:	160

Grantee Contact: Michael Cassar, Vice President, Chief Financial Officer
828 East 144 Street
Bronx, NY 10454
Phone: (718) 392-7280 Fax: (718) 392-9674

Project Team:

Origination	Michael Searles
Project Management	Brendan Healey
Legal	Antovk Pidedijan
Affirmative Action	Laverne Poole
Finance	Amit Nihalani
Environmental	Soo Kang

Project Description:

Background

Melita Corporation, a privately owned wholesale baking company established in September 2003, is the evolution of a 3rd and 4th generation family bakery. Melita currently produces over 1,000 baked products, including a variety of breakfast items and desserts. The Company prides itself on its reliability, consistency and the quality of its products. Major customers include Crumbs Bake Shop, Junior's, Roxy Delicatessen, Ben Ash Delicatessen and Hyatt. Major competitors include Tom Cat Bakery, Zaros Bakery, International Delight and Sweet Sam's Bakery.

Manufacturing is a significant wealth-creating and value-adding sector of the New York State economy. The purpose of the ESD's Manufacturing Assistance Program ("MAP") is to encourage New York State manufacturers to invest in projects that substantially improve the competitiveness and productivity of their operations, thus increasing their long-term viability and ensuring the health of the state's manufacturing economy.

Throughout the past twenty years, predecessor companies and the Company grew in Long Island City from occupying 2,000 square feet to occupying 13,200 square feet. By mid-2008, Melita had signed three exclusivity agreements in addition to other demand for its products that required a higher production capacity beyond its Long Island City location. At that time, the Company began to search for larger facilities. Melita considered locations in Virginia and other out-of-state locations. In fall 2008, Melita began discussions with ESDC to see what financial assistance may be available. After many discussions and in expectation of an offer, Melita began to incur some project costs in February 2010. ESD compiled and sent a final written offer in June 2010, which consisted of a $100,000 MAP capital grant and a $554,974 JDA loan to assist with the project in the Bronx. The Company accepted the offer in July 2010. As a result of the project, Melita will retain 130 jobs and create 30 new jobs by January 1, 2014. Without ESD's assistance, it is not likely that the project would have occurred and 130 jobs could have been relocated from New York State.

<u>The Project</u>
The project includes the purchase of new production machinery and equipment as part of Melita's relocation to a 44,000 square foot facility in the Bronx. It is anticipated that new machinery and equipment will include cupcake dropping machines, silos, glaziers, a cookie machine, an egg wash machine, chocolate melters, bagel baking machine and packaging machines. In addition, Melita plans to conduct renovation work on the facility, including upgrading HVAC and installing humidifiers.

It is anticipated that the project will be completed in January 2011. The project will allow Melita to substantially increase the amount of products that they produce to satisfy the growing demand of its products. In addition, raw material waste will be reduced as a result of the project.

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Financing Uses	Amount	Financing Sources	Amount	Percent
HVAC	$423,000	ESD Grant	$100,000	4%
Machinery & Equipment	1,894,240	JDA Loan*	554,974	23%
Shelves/Racks	45,000	TD Bank Loan**	548,882	22%
Miscellaneous Equipment and Tables	95,000	Bank of America Loan***	686,961	28%
		Company Equity	566,483	23%
Total Project Costs	$2,457,240	Total Project Financing	$2,457,300	100%

***JDA loan is at 4.13% interest (as of October 1, 2010) for 7 years, with a sole first lien on $924,957 worth of machinery and equipment.*

***TD Bank loan is at an interest rate of 3.25% above LIBOR for 7 years, with a first lien on all assets of Melita except for the JDA collateral.*

****Terms of the Bank of America loan are yet to be determined.*

MAP Project Findings and Outcomes

This project qualifies as a Manufacturing Assistance Program project because the Company i) is a resident New York State manufacturer with between 50 and 1,000 employees; ii) exports at least 30% of its production beyond its region or provides at least 30% of its production to a manufacturer that exports beyond the Company's region; and iii) is making a substantial investment of at least $1,000,000 in order to improve its competitiveness and productivity and thereby enhance its long-term viability in the State of New York.

The project is expected to produce the following measurable outcomes for the Company:

Primary Outcome(s): A 53% increase in output, from 15 million pieces of baked goods per year to 23 million pieces of baked goods per year.

Secondary Outcome(s): Reductions in waste and increased efficiency

Total estimated value of competitiveness and project outcomes: $4,588,000 annually

Financial Terms and Conditions:

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the $100,000 capital grant ($1,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.

2. The Company will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.

3. The Company will be required to contribute at least 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and

should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.

4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location(s) for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location(s) for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.

5. Up to $100,000 will be disbursed to the Grantee in two installments as follows:
   a) an Initial Disbursement of an amount equal to 50% of the grant ($50,000) will be disbursed upon documentation of machinery and equipment project costs totaling $1,000,000, and documentation of the employment of at least 130 Full-time Permanent Employees at the Project Locations, assuming that all project approvals have been completed and funds are available;
   b) a Second Disbursement of an amount equal to 50% of the grant ($50,000) will be disbursed upon documentation of machinery and equipment project costs totaling an additional $1,000,000 ($2,000,000 total), documentation of the employment of at least 130 Full-time Permanent Employees at the Project Locations and upon documentation of the production of 9 million pieces of commercially acceptable quality baked goods within a six month period, provided Grantee is otherwise in compliance with program requirements. Production increases shall be certified in a production report by the manufacturing manager as verified by a Certified Public Accountant with such additional evidence as ESDC may require.

   Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after February 1, 2010 to be considered eligible project costs; ESDC will only reimburse costs expended after July 30, 2010. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than $100,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

   The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

   (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
   (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
   (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
   (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
   (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

   The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	130

A	**B**
Date	Employment Goals
February 1, 2012	130
February 1, 2013	130
February 1, 2014	160
February 1, 2015	160
February 1, 2016	160

Environmental Review:
ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

Affirmative Action:
ESD's Non-discrimination and Affirmative Action policy will apply. The Company is encouraged to use its best efforts to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

Statutory Basis – Empire State Economic Development Fund:

1. <u>The project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the State or would enhance or help to maintain the economic viability of family farms.</u>
   As a result of this project, the Company will make significant investments in its manufacturing facility, thereby ensuring its continued viability and the retention of 130 employees. This project will help make the Company more competitive, and thus increase the economic viability of the state's manufacturing industry. In addition, the Company will create 30 new jobs.

2. <u>The project would be unlikely to take place in New York State without the requested assistance.</u>
   Without ESD assistance, this project would likely have been relocated to a facility in Virginia or somewhere else out of state.

3. <u>The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.</u>
   Evaluated over a seven-year period, project fiscal benefits to New York State government are expected to be $2,229,681, which exceed the cost to the State.

4. <u>The requirements of Section 10(g) of the Act are satisfied.</u>
   See cover memo.