

INFRASTRUCTURE DEVELOPMENT ASSISTANCE AGREEMENT

EXHIBIT A

CERTIFIED ECONOMIC DEVELOPMENT PROPOSAL

**Commonwealth of Massachusetts
Infrastructure Investment Incentive Program**

Economic Development Proposal

Fan Pier

Vertex Pharmaceuticals Incorporated Headquarters

**Submitted by Fan Pier Development LLC
and
City of Boston**

September 28, 2011

Economic Development Proposal

Fan Pier

Introduction:

This is the final Economic Development Proposal (this "EDP") for the designation of the Fan Pier Development in South Boston, Massachusetts, as an Economic Development District pursuant to St. 2006, c.293 §§ 5-12, as amended by St. 2008, c. 129 (the "Act"), and 801 CMR 51.00 (the "Regulations", and together with the Act, the "I-Cubed Program"). It is submitted by Fan Pier Development LLC, a Delaware limited liability company (the "Developer"), and the City of Boston to the Secretary of the Massachusetts Executive Office of Administration and Finance (the "Secretary") and the Massachusetts Development Finance Agency (the "Agency"). Capitalized terms used herein without definition which are defined in the I-Cubed Program shall have the meanings ascribed to them therein.

This EDP follows issuance by the Secretary of a Preliminary Approval Letter dated September 27, 2011 upon the Preliminary Economic Development Proposal for the designation of the Fan Pier Development as an Economic Development District dated April 8, 2011, as supplemented by letter dated April 22, 2011 (the "Preliminary Application") and is intended to meet all of the conditions stated therein.

Except to the extent amended by this EDP, the Preliminary Application, a copy of which is attached hereto as Schedule EDP-1, is incorporated herein by this reference. Capitalized terms used herein without definition which are defined in the Preliminary Application shall have the meanings ascribed to them therein.

Updated Information:

Since the date of the Preliminary Application, all of the following activities anticipated in the Preliminary Application have occurred:

- The Developer recorded a plan entitled "Subdivision Plan of Land, Fan Pier, Northern Avenue, Boston, Massachusetts," dated April 15, 2011, prepared by Nitsch Engineering, Inc subdivision with the Suffolk County Registry of Deeds ("Suffolk Deeds") in Plan Book 2011, Page 144, thereby creating Parcel A and Parcel B. A copy of such recorded subdivision plan is attached hereto as Schedule EDP-2.
- Parcel A was conveyed by the Developer to Parcel A Owner by Quitclaim Deed (Fan Pier Parcel A) dated May 4, 2011, recorded with Suffolk Deeds in Book 47884, Page 58. A copy of such recorded deed is attached hereto as Schedule EDP-3.
- Parcel B was conveyed by the Developer to Parcel B Owner by Quitclaim Deed (Fan Pier Parcel B) dated May 4, 2011, recorded with Suffolk Deeds in Book 47884, Page 68. A copy of such recorded deed is attached hereto as Schedule EDP-4.

- Parcel A Owner and Vertex executed and delivered the Building A Lease dated May 4, 2011 for 556,105 square feet of rentable area in Building A. A Notice of Lease with respect to the Building A Lease is dated May 5, 2011 and is recorded with Suffolk Deeds in Book 47886, Page 277. A redacted copy of the Building A Lease¹ (as filed by Vertex with the Securities and Exchange Commission) is attached hereto as Schedule EDP-5, and a copy of the recorded Notice of Lease with respect to the Building A Lease is attached hereto as Schedule EDP-6.
- Parcel B Owner and Vertex executed and delivered the Building B Lease dated May 4, 2011 for 516,693 square feet of rentable area in Building B. A Notice of Lease with respect to the Building B Lease is dated May 5, 2011 and is recorded with Suffolk Deeds in Book 47886, Page 283. A redacted copy of the Building B Lease (as filed by Vertex with the Securities and Exchange Commission) is attached hereto as Schedule EDP-7, and a copy of the recorded Notice of Lease with respect to the Building B Lease is attached hereto as Schedule EDP-8.
- Parcel A Owner and Parcel B Owner, collectively as Borrower, have entered into a Construction Loan Agreement with Drawbridge Special Opportunities Fund LP, as Agent (the "Agent") for itself and the other Lenders from time to time party to such agreement, with respect to a construction loan for the Vertex Buildings and the Vertex Buildings Infrastructure Improvements in the amount of Three Hundred Fifty-Five Million Dollars (\$355,000,000) (the "Loan"). The Loan is evidenced and secured by two Construction Loan Mortgage, Assignment of Leases and Rents and Security Agreements, each dated as of June 30, 2011, one made by Parcel A Owner for the benefit of Agent and the Lenders as mortgagee, recorded with Suffolk Deeds in Book 48098, Page 186 (the "Parcel A Mortgage"), and the other made by Parcel B Owner for the benefit of Agent and the Lenders as mortgagee, recorded with Suffolk Deeds in Book 48098, Page 262 (the "Parcel B Mortgage"). Copies of the recorded Parcel A Mortgage and the recorded Parcel B Mortgage are attached hereto collectively as Schedule EDP-9. The balance of the cost of the Vertex Buildings and the Vertex Buildings Infrastructure Improvements is being funded by Developer's Equity.
- All project-specific permitting for construction of the Vertex Buildings is complete (except any permit, such as a permit to install a boiler, or any permit to be obtained by Vertex for its particular use, that is customarily obtained during the course of construction of a project). An updated status of permitting is set forth below.

¹ It should be noted that representatives of both the Agency and of GLC Development Resources LLC, the Independent Consultant, have read complete, un-redacted copies of both the Building A Lease and the Building B Lease which were made available to them at the Developer's offices.

Agency Permits and Approvals – Parcel A/50 Northern Avenue

Federal Agency		Permit	Status
	Federal Aviation Administration	• Determination of No Hazard to Air Navigation	Complete
	Environmental Protection Agency	• NPDES Construction Permit for Construction Dewatering / Storm Water	Complete
State Agency		Permit	Status
	Department of Environmental Protection	• Construction Dewatering Permit	Complete
		• Chapter 91 Waterways License	Complete
		• Boiler Emissions	TBF
		• RAM Plan	Complete
		• Emergency Generator Emissions	TBF
	Exec. Office of Environmental Affairs	• Final MEPA Certificate	Complete
	Coastal Zone Management	• Consistency Certification	Complete
	Mass. Historical Comm.	• Determination of No Adverse Effect	Complete
Local Agency		Permits	Status
	Boston Redevelopment Authority	• Article 80 Large Project Review	Complete
		• Planned Development Area Plan Approval	Complete
		• Recommendation re: Chapter 91 Licensing	Complete
		• Certification of Compliance with Article 80 Large Project Review	Complete
		• Certification of Consistency with PDA	Complete
	Boston Civic Design Commission	• Schematic Design Approval	Complete
	Boston Conservatory Commission	• Wetlands Request for Determination of Applicability – add 48” outfall pipe to existing Order of Conditions	Complete
	Boston Water and Sewer Commission	• Site Plan Approval	Complete
		• Site Storm Water and Groundwater Management Plan	Complete
	Boston Public Improvements Commission	• Approval for Curb Cuts, Line and Grade, Street Names, Tie Backs	Complete
	Boston Air Pollution Control Commission	• Parking Freeze Permit	Complete
	Boston Transportation Department	• Transportation Access Plan Agreement	Complete
		• Construction Management Plan	Complete
	Boston Inspectional Services Department	• Building Permit	Complete
		• Certificate of Occupancy	TBF
	City of Boston Committee on Licenses	• Flammable Storage Permit	Complete
		• Garage Permit	Complete

Agency Permits and Approvals – Parcel B/11 Fan Pier Boulevard

Federal Agency		Permit	Status
	Federal Aviation Administration	• Determination of No Hazard to Air Navigation	Complete
	Environmental Protection Agency	• NPDES Construction Permit for Construction Dewatering / Storm Water	Complete
State Agency		Permit	Status
	Department of Environmental Protection	• Construction Dewatering Permit	Complete
		• Chapter 91 Waterways License	Complete
		• Boiler Emissions	TBF
		• RAM Plan	Complete
		• Emergency Generator Emissions	TBF
	Exec. Office of Environmental Affairs	• Final MEPA Certificate	Complete
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	Boston Conservation Commission	• Wetlands Request for Determination of Applicability –	Complete

		add 48" outfall pipe to existing Order of Conditions	
Boston Water and Sewer Commission	•	Site Plan Approval	Complete
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Boston Public Improvements Commission	•	Approval for Curb Cuts, Line and Grade, Street Names, Tie Backs	Complete
Boston Air Pollution Control Commission	•	Parking Freeze Permit	Complete
Boston Transportation Department	•	Transportation Access Plan Agreement	Complete
	•	Construction Management Plan	Complete
Boston Inspectional Services Department	•	Building Permit	Complete
	•	Certificate of Occupancy	TBF
City of Boston Committee on Licenses	•	Flammable Storage Permit	Complete
	•	Garage Permit	Complete

TBF – To Be Filed

Complete – Permit / Approval Received

- Pursuant to a waiver to permit municipal approval to occur prior to the issuance of the Preliminary Approval Letter granted by the Secretary to the City of Boston by letter dated May 6, 2011, Municipal Approval was granted on May 25, 2011. A certified copy of the Order unanimously adopted by the Boston City Council and approved by Mayor Menino, and of the minutes of the public hearing required by St. 2006, c. 293 §§ 5 through 12 and the notice of the public hearing, is attached hereto as Schedule EDP-10.
- Construction of the Vertex Buildings and Vertex Buildings Infrastructure commenced on June 20, 2011.

Updated Infrastructure Costs:

Appendix F to the Preliminary Application presented actual hard and soft costs for construction of the In Place Infrastructure Improvements (but without land cost), and estimated hard and soft costs (without land cost) for the Vertex Buildings Infrastructure Improvements and the Additional Bond Phase Public Infrastructure Improvements. Since the date of the Preliminary Application, the Owners have obtained definitive bids and have entered into guaranteed maximum price construction contracts for all of the Vertex Buildings Infrastructure Improvements other than the Water Transportation Terminal². Based upon the updated pricing obtained through that process, the Developer has updated and consolidated the information presented in Appendix F to the Preliminary Application to reflect such actual pricing and to include land cost.

In addition, the Independent Consultant's Report pointed out two errors in the original cost calculations for elements of the Additional Bond Phase Public Infrastructure Improvements, namely that the area of the final third of Bond Drive was understated, and that the costs for Waterside Avenue did not take into account that it would be constructed over a parking garage. Those two errors have now been corrected, resulting in hard costs for those elements which are consistent with the Independent Consultant's Report.

The final infrastructure cost information is presented in Schedule EDP-11.

² Please see page 15 of the Preliminary Application for a full description of the Water Transportation Terminal.

Updated Open Space/Harborwalk Easement Form:

Appendix K to the Preliminary Application presented a draft form of street and sidewalk easement and a draft form of open space/Harborwalk easement. Subsequently, the Developer received comments upon the form of open space/Harborwalk easement from counsel to the Boston Redevelopment Authority, proposed grantee of such easement. A revised version of that easement, incorporating such comments, is attached as Schedule EDP-12.

New Revenues:

The New State Tax Revenues relied upon in this EDP are income taxes from Vertex employees to be housed in the Vertex Buildings or in other buildings within the Fan Pier Economic Development District. The calculations presented in the Preliminary Application were based upon the average of the salary range in each job classification as supplied by Vertex. The Independent Consultant Report takes issue with this simple averaging approach, stating “[t]his

methodology implicitly assumes – contrary to expectation - that as there will be as many

employees at the higher end of the salary range as at the bottom end. The result is a systematic overvaluing of the average salary in each job classification, which in turn leads to too high estimates of total salaries.” The Independent Consultant suggests that a ten percent (10%) discount from the Developer’s projection of taxable income is warranted. The following are the Independent Consultant’s estimates of total taxable income from Vertex employees through the end of the projected job creation period in 2015.

Jobs by Classification	Existing Workforce	New Jobs 2011-2013	New Jobs 2014-2015	Total
Management	\$31.9	\$4.7	\$7.4	\$44.0
Professional	92.5	14.7	21.6	128.9
Skilled	8.6	1.2	1.7	11.5
Unskilled	0.2	0.5	0.7	1.5
All	\$133.3	\$21.1	\$31.5	\$185.9

Adopting these estimates, the projection of annual New State Tax Revenues, using an effective income tax rate of approximately 4.5%, is restated as follows:

Jobs by Classification	Existing Workforce	New Jobs		
		Pre-Occupancy 2011-2013	Post-Occupancy 2014-2015	Total
Management	\$1,521,071	\$225,344	\$354,112	\$2,100,527
Professional	4,144,219	658,254	968,839	5,771,312
Skilled	358,888	49,259	70,370	478,517
Unskilled	10,067	22,147	30,200	62,414
All	\$6,034,246	\$955,004	\$1,423,521	\$8,412,771

The Preliminary Application estimates that new jobs will be created at the following pace:

Year	Number of Jobs	Percentage of 202 Pre-Occupancy Jobs	Percentage of 298 Post-Occupancy Jobs
2011	90	45%	
2012	55	27%	
2013	57	28%	
2014	148		50%
2015	150		50%

Applying these percentages to the estimated New State Tax Revenues, the following is a general estimate of the annual and total New State Tax Revenues for the period from the Approval Date through 2015:

Year	Revenue
2011*	\$1,616,000*
2012	\$6,721,849
2013	\$6,989,250
2014	\$7,701,011
2015	\$8,412,771
Total	\$31,440,881

*Assumes that the Approval Date is October 1, 2011, and represents 25% of \$6,463,998 in 2011 revenue.

One of the policy issues presented by the Preliminary Application, which relies on income taxes from Vertex's future employment, is the fact that Vertex has also relied on a portion of the same projected future employment to support an application to the Massachusetts Life Sciences Center under Section 5(b) of Chapter 23I of the Massachusetts General Laws for the Life Sciences Tax Incentive Program, and has received tax incentives for 2010 in the amount of \$2,424,173 for the projected creation of 90 of the projected 202 "pre-occupancy" jobs during 2011. Vertex intends to submit future applications under this program, ultimately seeking an aggregate of \$10,000,000 in such tax incentives. To avoid "double counting" for these future jobs, the Developer and the

Owners have agreed with the Secretary to reduce New State Tax Revenues by the amount of the tax incentives awarded to Vertex based upon such future employment. Specifically, the Infrastructure Development Assistance Agreement (“IDAA”) will define “New Revenue” as follows:

“New Revenue” means revenue collected by the Commonwealth from and after the Approval Date as a result of the creation of an Eligible New Job, reduced by the amount of any tax incentives received by Vertex during the applicable period pursuant to an agreement with the Massachusetts Life Sciences Center under Section 5(b) of Chapter 23I of the Massachusetts General Laws, provided that the aggregate amount of reduction on account of such tax incentives shall not exceed \$10,000,000.

Accordingly, assuming that tax incentives will be awarded to Vertex in three subsequent calendar years based upon the creation of the balance of the pre-occupancy jobs and a portion of the post-occupancy jobs, the New State Tax Revenues generated in such period will be reduced by the tax incentives awarded. Thus, the maximum impact of offset of the tax incentives during the period from 2011 through 2015 would be to reduce the New State Tax Revenues by \$10,000,000, resulting in New Revenues during this period of \$26,288,879.

Opinion of Municipality:

Submitted with this EDP as Schedule EDP-13 is an opinion of Corporation Counsel for the City of Boston confirming that:

- (a) the City of Boston approved the Economic Development Proposal in accordance with the requirements of St. 2006, c. 293 §§ 5 through 12, 801 CMR 51.00; and
- (b) the Economic Development Project is permitted under the applicable zoning laws.

Municipal Liquidity Reserve; Infrastructure Development Assistance Agreement:

The Secretary, the City of Boston, the Agency, the Developer, the Parcel A Owner, and the Parcel B Owner have concluded negotiation of the IDAA to be executed and delivered upon Final Approval of this EDP. Section 4.06(a) of the form of IDAA provides the following with respect to the Municipal Liquidity Reserve:

For as long as the City shall be obligated to provide Local Infrastructure Development Assistance for any Bonds, the City shall maintain a Municipal Liquidity Reserve allocable to each Project Component as required by Section 8 of the Act, which shall be funded in accordance with Section 7(c) of the Act and Section 51.12 of the Regulations. The Municipal Liquidity Reserve shall be established at the time of issuance of the Initial Bonds and held by the City as a segregated fund of the City for the benefit of the Commonwealth and shall be funded by the applicable Parcel Owner in whole or in part in cash or by one or more irrevocable, direct pay letters of credit paid for by a Parcel Owner and issued by a bank or other financial institution having a rating of not less than any two of the following: (i) A1 (long-term) and P-1 (short-term) by Moody’s, (ii) A+

(long-term) and F-1 (short-term) by Fitch, or (iii) A+ (long-term) and A-1 (short-term) by Standard & Poor's Corporation. Letters of credit provided by a Parcel Owner shall name the Parcel Owner as the account party and the City as the beneficiary. The initial aggregate amount of each Municipal Liquidity Reserve shall be equal to twice the maximum annual Debt Service payable in any Fiscal Year on the Initial Bonds allocable to the applicable Project Component. For purposes of the foregoing, 51% of the Debt Service payable on the Bonds shall be allocable to Building A and 49% of such Debt Service shall be allocable to Building B. Upon issuance of any Additional Bonds, each Municipal Liquidity Reserve shall be increased, or one or more additional Municipal Liquidity Reserves shall be established, such that the aggregate amount of such Municipal Liquidity Reserve or Reserves shall be equal to twice the maximum annual Debt Service payable in any Fiscal Year on the Bonds then outstanding allocable to the applicable Project Component. At its option, a Parcel Owner may provide a letter of credit securing multiple Municipal Liquidity Reserves or separate letters of credit, each securing a different Municipal Liquidity Reserve.

Upon execution of the IDAA, the Developer will have satisfied the requirement under the I-Cubed Program to provide "an enforceable commitment from the Developer or the third party to the Municipality to transfer this amount into the Reserve prior to the issuance of the Bonds by the Agency."

No Litigation:

The Developer hereby confirms that no litigation or administrative proceeding is pending or, to the knowledge of the Developer, threatened which is likely to (1) prevent, delay or interfere in any material respect with the development of the Economic Development Project and the construction and completion of the Public Infrastructure Improvements as contemplated by this EDP, or (2) materially adversely affect the power and authority of the Developer to perform its obligations with respect to the Economic Development Project and the Public Infrastructure Improvements or (3) materially adversely affect the financial position of the Developer.

Supplemental Information:

During the period between submission of the Preliminary Application and the issuance of the Preliminary Approval Letter, the Developer has worked with representatives of the Secretary, the Agency, and GLC Development Resources LLC, the Independent Consultant, to assist their review of the Preliminary Application. Much of the focus of that process has been upon the actual cost of the In Place Infrastructure Improvements and the estimated cost of the Vertex Buildings Infrastructure Improvements (based on real pricing information) and of the Additional Bond Phase Infrastructure Improvements. Some of that information was shared with the Independent Consultant on a confidential basis and is not included here. The balance of submitted materials (much of it in email form) is collectively attached hereto as Schedule EDP-14.