

Appendix J

[Attached]



State of Rhode Island and Providence Plantations
315 Iron Horse Way, Suite 101
Providence, RI 02908
401-278-9100

April 2, 2008

Saul Kaplan
Executive Counselor
to the Governor on Economic
Growth and Community
Development

Alfred Vaz Jr.
Vice President, Facilities & Operations
Vertex Pharmaceuticals, Incorporated
130 Waverly Street
Cambridge, Massachusetts 02139-4242

Dear Al :

I am pleased to present Vertex with this proposal to join Rhode Island's innovation economy and growing biotechnology sector. Governor Carcieri and our entire Rhode Island Economic Development Corporation team are convinced that the Vertex values of "We" Wins, Fearless Pursuit of Excellence, and Innovation is Our Lifeblood are aligned with Rhode Island's vision and values. We are prepared to invest in Vertex's future in Rhode Island and believe that there is real synergy between your growth aspirations and our state's mission to create a 21st century innovation economy.

Based on the information that you have provided on behalf of Vertex we have developed an incentive package with the following assumptions: Vertex currently has 900 employees and plans to have 1200 by the end of this year. Vertex would relocate to Rhode Island initially with 1200 employees with plans to increase to 2000 employees located in the state within three years. The average employee salary is estimated at \$100,000. This proposal assumes the creation of a "walkable campus" in Providence by a development partner selected by Vertex initially to include 600,000 sq. ft of office and lab capacity with a cost estimate of \$300 million. Based on these assumptions we are prepared to invest in Vertex's vision and growth by offering the following package of incentives. Where individual incentives require specific approvals we have noted that in the description.

■ **Payroll Rent Credit**

- We will propose and support legislation to create a payroll rent credit equal to 1% of Vertex's Rhode Island payroll in excess of \$25 million per year for a period of 20 years. A bond will be issued by EDC on behalf of Vertex's development partner to finance a portion of the project costs and the amount of debt service due will be reduced by the amount of the qualified payroll rent credit. The reduction will be realized by Vertex in the form of a reduction in the required lease payment commensurate with the payroll rent credit for the payment period.

- Approvals: EDC Board of Directors and legislation passed by the General Assembly
- Estimated Value: \$29.75 million (over 20 years)

- **"Project Status" of the Rhode Island Economic Development Corporation**
 - Vertex campus will be designated a "project" of the EDC. This shall entitle Vertex to receive an exemption from sales tax relating to building materials, furniture, fixtures and equipment associated with the new facility.
 - ◆ Approvals: EDC Board of Directors and joint resolution passed by the General Assembly
 - ◆ Estimated Value: \$10.5 million
- **Job Training Grants**
 - Job training grants of \$5,000 per employee would be available.
 - ◆ Approvals: Governor's Workforce Board
 - ◆ Estimated Value: \$10 Million
- **Certificate of Critical Economic Concern**
 - EDC may provide for expedited permitting for all aspects of the project plans and improvements by issuing a certificate of critical economic concern (CCEC) to the project. The Vertex project would qualify for CCEC under the current rules.
 - The expediting permitting program rules require state agency reviews for qualified economic development projects within 90 days.
 - ◆ Approvals: EDC Board of Directors
 - ◆ Estimated Value: Predictable project milestones and completion dates.
- **Municipal Property Tax Stabilization Agreements**
 - EDC will work with city officials in Providence to facilitate a property tax stabilization agreement with the municipality.
 - ◆ Approvals: Providence City Council
 - ◆ Estimated Value: to be determined
- **Research & Development Tax Credits**
 - Vertex would be eligible for a 10 % tax credit for new research-and-development facilities and equipment.
 - ◆ Approvals: Statutory Incentive, no approval required
 - ◆ Estimated Value: Dependent on planned Vertex R&D expenditures
 - Vertex would be eligible for a 22.5 % tax credit for qualified research expenses. (The credit drops to 16.9 % for R&D expenditures above the first \$25,000 of credit.)
 - ◆ Approvals: Statutory Incentive, no approval required
 - ◆ Estimated Value: \$8.8 Million annually based on Vertex's current \$52 million a year expenditures.
 - Scientific equipment used in research and development is exempt from the state sales tax. The R&D expense credit cannot be used to reduce the corporation's tax below 50% of the original tax liability in a given year, however, unused credits can be carried forward up to seven years.
 - ◆ Approvals: Statutory Incentive, no approval required

- **Estimated Value:** Assuming a total annual investment of \$52 million in lab supplies and other expenses the value of the R&D sales tax credit would be: \$3.64 million annually
- **Job Training Tax Credits and Support Services**
 - Job training not covered by the job training grant would be eligible for a 50% tax credit.
 - **Approvals:** Governor's Workforce Board
 - **Estimated Value:** Assuming a total cost of \$15,000 for training, the portion not covered by the grant, would be eligible for a tax credit of \$5,000 per new job. **Total Tax Credit \$10 million.**
 - **Recruitment and Screening Services:** In addition to helping you set up customized training programs, the Rhode Island Department of Labor and Training partners with Rhode Island businesses to recruit new employees. Employer Services maintains computerized job listings, hosts job fairs, and assists employers with recruitment, screening, testing, and scheduling interviews.
 - **Enterprise Zone Business Tax Credit**
 - Firms that increase total company employment by 5 percent each year within an enterprise zone may take a tax credit equal to 75% of the total wages paid to employees living in an enterprise zone or 50% of wages paid to workers not living in an enterprise zone.
 - The maximum credit is \$5,000 per enterprise zone resident employees and \$2,500 for other enterprise zone employees. Earned but unused enterprise zone credits may be carried forward for up to three (3) years.
 - **Approvals:** Enterprise Zone Board
 - **Estimated Value:** \$5 million
 - **Job Development Act**
 - Vertex shall be eligible for a reduction in its corporate income tax rate on the following terms subject to an EDC Board finding of revenue neutrality.
 - Vertex will receive a .25 percent reduction in the statutory corporate income tax rate for every 10 new jobs added over a period of 3 years up to 100 new jobs, and a .25 percent reduction for every 50 new jobs above the first 100 added during the same 3 year period. Provided that Vertex maintains employment levels in Rhode Island at the appropriate levels, the rate reduction carries on in perpetuity.
 - **Approvals:** EDC Board finding of Revenue Neutrality
 - **Estimated Value:** Would reduce the RI Corporate Income Tax Rate to 3% in perpetuity as long as Vertex maintains 900 jobs in the State.
 - **Job Growth Act**
 - The Job Growth Act provides an income tax reduction on performance based income. In order to qualify a company must hire 100 new employees in the state and add a least \$10 million in state payroll. The new jobs must have wages of at least 125% of the state's average annual compensation. Qualified businesses may offer employees an exclusion of 50% of performance-based compensation from their Rhode Island gross income. In return the company pays a 5% tax each year on the performance

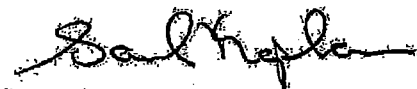
based income paid that year. The tax cut applies to bonus or incentive income, not base salary.

- Approvals: Certification by Director of Economic Development Corporation
- Value: Dependent on Vertex Performance Based Bonus Programs

In addition to these incentives, Vertex would be able to take advantage of the state's existing highly skilled workforce in bio manufacturing. Rhode Island is home to a diverse and collaborative peer cluster of life science institutions and companies, including drug manufacturing, basic research, biomedical devices, cell line development, bio-nanotechnology, biomedical textiles and facility development. Set amid the largest concentration of higher-education facilities in the United States, Rhode Island offers access to a rich talent pool of over 18,000 persons working in Science and Engineering occupations. Biotechnology degree programs have been established at both the University of Rhode Island and the Community College of Rhode Island, and Brown University's life science and medical schools are world-renowned.

In summary, we are committed to delivering the full power of the state of Rhode Island to attract Vertex to Rhode Island. The opportunity for Vertex to locate in a marquis "walkable campus" headquarters in the heart of the city of Providence, with close proximity to Brown, Lifespan and other life sciences institutions is extremely unique. We look forward to working with your company as we pursue this vision together.

Yours Truly,



Saul Kaplan
Executive Director