



City of Marlborough
Office of the Mayor

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MAYOR

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EXECUTIVE AIDE

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EXECUTIVE SECRETARY

September 3, 2008

Arthur Vigeant
President
Marlborough City Council

RE: Sepracor Inc. TIF Proposal

Dear President Vigeant and Members:

I am pleased to submit to you a Tax Increment Financing ("TIF") proposal from Sepracor Inc. Sepracor is a research-based pharmaceutical company dedicated to treating and preventing human disease by discovering, developing, and commercializing innovative pharmaceutical products, with a focus on the treatment of respiratory and central nervous system disorders. Sepracor already has its corporate headquarters in Marlborough at 84 Waterford Drive, off Robin Hill Street. Sepracor plans to expand its operations and invest capital in the amount of \$47 million in two phases. In addition, Sepracor plans to maintain its current level of 613 jobs in the City and to create another 250 new permanent full-time jobs.

As an essential component of that planned expansion, Sepracor has approached the City to propose that the Council approve a TIF agreement. Accordingly, I enclose for the Council's consideration the following documents:

1. the proposed TIF agreement, which is the product of negotiations involving various City officials;
2. a proposed TIF plan;
3. a proposed Certified Project application;
4. a proposed application for the 84/158 Waterford Drive Economic Opportunity Area;
5. a proposed Council resolution;

- 62
6. a spreadsheet presenting the tax implications of the proposed TIF agreement; and
 7. a spreadsheet presenting a work force analysis and job creation plan.

I respectfully request that these documents, including the proposed TIF agreement, be referred to the Finance Committee for review, as requested by Sepracor Inc.

Sincerely,



Nancy E. Stevens
Mayor

Enclosures

63

**TAX INCREMENT FINANCING AGREEMENT
BY AND BETWEEN
THE CITY OF MARLBOROUGH AND
SEPRACOR INC.**

This TAX INCREMENT FINANCING AGREEMENT (the "TIF Agreement") is entered into this [] day of [] 2008, by and between the City of Marlborough (the "City"), a municipal corporation duly organized under the laws of the Commonwealth of Massachusetts, having a principal place of business at Marlborough City Hall, 140 Main Street, Marlborough, MA 01752, acting through its city council (the "City Council") which designates and delegates the mayor of the City or one of his designees (the "Mayor") to execute this TIF Agreement in accordance with Massachusetts General Laws ("MGL") Chapter 40, Section 59; and Sepracor Inc., a Delaware corporation having a principal place of business at 84 Waterford Drive, Marlborough, MA 01752 ("Sepracor"). The effective date of this Agreement shall be [] [], 2008, the date of approval from the Commonwealth of Massachusetts Economic Assistance Coordinating Council (the "EACC").

WHEREAS, Sepracor is a developer and marketer of pharmaceutical products, and plans to increase the office space and building capacity of its principal place of business at the address above; and

WHEREAS, Sepracor's proposed project (the "Project") will involve the construction of a free standing, four story building ("Building 2"), of approximately 142,000 square feet, and a second building ("Building 3") of approximately 72,000 square feet, which will be connected to the south end of Sepracor's existing office building ("Building 1"), located on the Property (as that term is defined below); and

WHEREAS, Building 1 is located on and Buildings 2 and 3 will be constructed on the parcels described in a Quitclaim Deed recorded in the Middlesex County (South District) Registry of Deeds ("the Registry") in Book 36959, page 491 and also described and shown as the City's Assessor Parcel ID Nos. 0063-0001, 0063-006-001 and 0063-0006-0002 (such parcels and the improvements thereto are collectively defined as the "Property"); and

WHEREAS, Sepracor is seeking a Tax Increment Financing Exemption for the Property and Project from the City, in accordance with Section 3A, Chapter 23A; Section 59, Chapter 40; and Clause Fifty-first of Section 5, Chapter 59; of the MGL; and

WHEREAS the City strongly supports increased economic development as a means to expand the commercial and industrial tax base, provide additional employment opportunities for residents of the Framingham-Marlborough Regional Economic Target Area, as the term "Economic Target Area" is used in Chapter 23A, Section 3D of the MGL (the "ETA"), and contribute to a healthy, balanced economy and stronger tax base; and

WHEREAS the Property is located within the boundaries of the ETA and is proposed for designation as an Economic Opportunity Area (the "EOA"), as the term "Economic Opportunity Area" is used in Section 3E, Chapter 23A of MGL, by the EACC; and

64

WHEREAS the Project proposed by Sepracor furthers the economic development goals established for the ETA and meets the criteria for designation by the EACC as a "Certified Plan", as that term is defined in 760 CMR 22.05.

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties do mutually agree as follows:

A. THE CITY'S OBLIGATIONS

- 1. The City Council, by vote at a City Council meeting duly called and held on [] [], 2008, has approved the provisions of this TIF Agreement pursuant to the resolutions attached hereto as Exhibit A. The City hereby authorizes the Mayor to execute this TIF Agreement on the City's behalf, and to monitor and enforce compliance by Sepracor with the terms of this TIF Agreement. The Mayor is authorized to act for and on behalf of the City in proceedings relating to the approval of this Agreement by the EACC.
- 2. The term of this TIF Agreement is up to fourteen (14) years and will commence on the first day of fiscal year 2009 and will end as of the last day of the fiscal year determined in accordance with Section 3 of Paragraph A of the TIF Agreement.
- 3. A Tax Increment Financing Exemption (the "Exemption") is hereby granted to Sepracor by the City. This Exemption shall be coterminous with the term of this TIF Agreement.

The formula for calculating the Exemption for the Project and Property will be as prescribed by Section 3E, Chapter 23A; Section 59, Chapter 40; and Clause Fifty-first of Section 5, Chapter 59 of the MGL and as further prescribed by the Code of Massachusetts Regulations (the "CMR") Title 760, Section 22.00. The Exemption formula will apply to the incremental difference in the assessed valuation of the Property, calculated as the difference between the Adjusted Base Valuation (as defined below) in the Base Year (as defined below), and the assessed valuation of the Property for each of the next fourteen (14) fiscal years during the term of the TIF Agreement.

The "Base Valuation" is the assessed value of the Property for the Base Year. The "Base Year" is the fiscal year immediately preceding the fiscal year in which the Property becomes eligible for the Exemption. The City and Sepracor hereby agree that the Base Year for the TIF Agreement is fiscal year 2008.

The Base Valuation will be adjusted annually by an adjustment factor as defined in the version of 760 CMR 22.00 in effect as of January 31, 2008 (the "Adjusted Base Valuation"). This Adjusted Base Valuation will remain fully taxable (*i.e.*, the Exemption shall not apply to or be calculated with respect to the Adjusted Base Valuation and no portion of the Adjusted Base Valuation shall be eligible

65

for exemption from property taxation under Chapter 59 of the MGL) throughout the term of the TIF Agreement.

The increased value, or "increment," created by the Project (including all improvements to the Property throughout the term of the TIF Agreement), is the amount eligible for the Exemption from property taxation under Chapter 59 of the MGL (calculated and applied as provided in this Section 3 of Paragraph A). Pursuant to 760 CMR 22.00, the increment is equal to the amount by which the Property's assessed value for each fiscal year during the term of the TIF Agreement exceeds the Adjusted Base Valuation. All Exemptions will be enacted upon realization of an increase in the assessed value of the Property that results from new investment specific to this Project throughout the term of the TIF Agreement.

Specifically, this TIF Agreement calls for the Exemption from property taxation under Chapter 59 of the MGL for the Project and the Property based on the following schedule:

<u>Fiscal Year</u>	<u>Building 2 Scheduled Exemption Percentage</u>	<u>Building 3 Scheduled Exemption Percentage</u>
2009	100%	100%
2010	70%	100%
2011	60%	100%
2012	50%	100%
2013	40%	100%
2014	30%	100%
2015	20%	60%
2016	20%	50%
2017	20%	40%
2018	10%	30%
2019	0%	20%
2020	0%	10%
2021	0%	10%
2022	0%	10%

4. The City represents to Sepracor and the EACC that it has complied with all substantive and procedural requirements in executing the TIF Agreement and it is a legal, valid and binding document in accordance with the laws of the Commonwealth of Massachusetts.

B. SEPRACOR'S OBLIGATIONS

66

1. The City is granting the Exemption for the Property and the Project in consideration of Sepracor's commitment to:
 - a. Maintain its current level of 613 jobs in the City and create 250 new permanent full-time jobs over the term of this TIF Agreement (which includes employees located at Building 1 as well as all employees located at other existing Sepracor offices in the City as of the date of this TIF Agreement), and pay all municipal permit fees required in connection with the improvements associated with the Project;
 - b. Invest a minimum of \$30 million in the construction of Building 2 on the Property and related improvement costs, and make on-going personal property expenditures of \$4 million;
 - c. Invest a minimum of \$17 million in the construction of Building 3;
 - d. Timely pay all of its taxes owed to the City over the term of this TIF Agreement; and
 - e. Specifically as to new jobs, create and, over the term of the TIF Agreement, maintain new jobs at the Property according to the following schedule:

<u>Fiscal Year</u>	<u>Building 2 Cumulative Minimum Total Permanent New Full-Time Job Requirements</u>	<u>Building 3 Cumulative Minimum Total Permanent New Full-Time Job Requirements</u>
2009	25	0
2010	50	0
2011	75	0
2012	100	0
2013	125	0
2014	125	25
2015	125	50
2016	125	75
2017	125	100
2018	125	125
2019	125	125
2020	125	125
2021	125	125

67

<u>Fiscal Year</u>	<u>Building 2 Cumulative Minimum Total Permanent New Full-Time Job Requirements</u>	<u>Building 3 Cumulative Minimum Total Permanent New Full-Time Job Requirements</u>
2022	125	125

For purposes of determining Cumulative Minimum Total Permanent New Full-Time Job Requirements as set forth in the table above: (i) newly created positions that are filled and then subsequently become open during a particular fiscal year, which Sepracor reasonably believes will be filled within three (3) months of becoming open (and in fact are filled within such three month period), shall continue to be counted as a new job during the term of the TIF Agreement; (ii) in determining whether the Cumulative Minimum Total Permanent New Full-Time Job Requirements have been met for a given fiscal year, the total number of new jobs created from the effective date of the TIF Agreement through the end of such fiscal year shall be aggregated such that if the total number of new jobs created through such period meets or exceeds the Cumulative Minimum Total Permanent New Full-Time Job Requirements for such fiscal year, then Sepracor shall be deemed to have met the Cumulative Minimum Total Permanent New Full-Time Job Requirements for such fiscal year; and (iii) the Building 3 Cumulative Minimum Total Permanent New Full-Time Job Requirements shall apply only upon the application of the Building 3 Scheduled Exemption Percentages as set forth and applied in accordance with Section 3 of Paragraph A.

During the duration of this TIF Agreement, Sepracor will work with the City and local employment agencies to achieve the job creation objectives set forth above and Sepracor agrees to make commercially reasonable efforts to ensure that the newly created jobs at the Property are made available to residents of the ETA. Notwithstanding anything herein to the contrary, Sepracor may freely transfer new and existing employees among Buildings 1, 2, 3 or any other existing Sepracor office location in the City as of the date of this TIF Agreement in its sole discretion, although Sepracor acknowledges and agrees that each new job shall be counted only once for purposes of Determining Minimum New Job Requirements.

2. Sepracor agrees to submit annual reports on job creation, job retention and new investment to the Mayor by the end of September of each year with respect to the immediately preceding fiscal year during which the TIF Agreement is in effect. Reports shall be submitted for the fiscal year beginning on July 1, 2008, and for every fiscal year thereafter falling within the term of the TIF Agreement. The first report, therefore, shall be submitted by the end of September 2009. The annual report shall include:

68

- a. employment levels at the Property at the beginning and end of the reporting period;
- b. the specific number of ETA and Marlborough residents employed at the Property at the beginning and at the end of the reporting period;
- c. Sepracor's financial contribution to the City (including property taxes, motor vehicle excise taxes, and water and sewer fees) for the fiscal year; and
- d. a description of any private investment, including but not limited to donations and perpetual maintenance of land for recreational purposes, made by Sepracor for the benefit of the community during the reporting period.

During the term of this TIF Agreement, Sepracor will also provide the City with any information related to the Property and/or the Project which the parties mutually agree should be provided.

- 3. The Scheduled Exemption Percentages set forth in the table in Section 3 of Paragraph A will automatically be adjusted downward in any particular year that Sepracor does not meet the Cumulative Minimum Total Permanent New Full-Time Job Requirements described above. This Scheduled Exemption Percentage will be changed for the fiscal year beginning after the job requirement date, utilizing the following formulas:

Actual Total New Positions in the Given Year / Cumulative Minimum Total Permanent New Full-Time Job Requirements) x Scheduled Exemption Percentage = actual Exemption Percentage.

For example, if the actual total new job level for Building 2 at the end of fiscal year 2009 is 45, then the Exemption Percentage for Building 2 in fiscal year 2010 will be (45/50) x 100% or 90%.

The Exemption Percentage for later years will revert back to the original schedules set forth in the table in Section 3 of Paragraph A if Sepracor restores the job level based on the Cumulative Minimum Total Permanent New Full-Time Job Requirements for that later year. If Sepracor meets or exceeds its Cumulative Minimum Total Permanent New Full-Time Job Requirements, the Exemption Percentage will not change. If Sepracor does not meet the Cumulative Minimum Total Permanent New Full-Time Job Requirements for Building 2 or Building 3, as applicable, but meets the Cumulative Minimum Total Permanent New Full-Time Job Requirements of the other Building, then the automatic downward adjustment described in this Section shall not apply to such other Building.

Sepracor will be in default of its obligations under the TIF Agreement if Sepracor

69

fails to meet or comply with any of the requirements of Sections 1 or 2 above or Section 4 below of Paragraph B, and such failure continues or remains uncured for ninety (90) days (or such longer time as the City may deem appropriate under the circumstances) after the date of written notice, provided by the City to Sepracor, explaining in reasonable detail the grounds for or nature of such failure. If any default by Sepracor has continued or remained uncured for such period after the date of such written notice, the City may take such action as it deems appropriate to enforce Sepracor's obligations under the TIF Agreement, including but not limited to a request that EACC decertify the Property and/or Project for eligibility for the Exemption; any such request would be in addition to the automatic downward adjustment of the Scheduled Exemption Percentages described in Section 3 of Paragraph B above. Upon any such decertification, the City shall have the right, upon written notice to Sepracor, to terminate the Exemption benefits described in Section 3 of Paragraph A above, commencing as of the fiscal year in which Sepracor is in default or, if such benefits have already been received by Sepracor for the fiscal year in which Sepracor is in default, commencing as of the fiscal year immediately following that fiscal year. Any notice required hereunder shall be sent, via certified mail, return receipt requested, or delivered in hand, to Sepracor at the address of its principal office referred to above. Said notice shall be effective upon receipt.

- 4. Sepracor shall give the City two (2) months' written notice prior to any proposed disposition of the Property or any portion thereof by Sepracor, which identifies the prospective new owner; said notice may include information about such prospective new owner which is not otherwise subject to a confidentiality agreement; and said notice shall be given to: Mayor's Office, City Hall, 140 Main Street, Marlborough, MA 01752. The City shall not, except as required by law, disclose any information provided by Sepracor regarding any proposed disposition of the Property or any portion thereof by Sepracor.

C. OTHER CONSIDERATIONS

- 1. This TIF Agreement shall be binding upon all parties to it, shall be binding upon Sepracor and its successors and assigns, and shall be binding upon subsequent owners of the Property so long as the Project has not been decertified by EACC.

[Signature Page to Follow]

6/10

WITNESSETH the execution and delivery of the TIF Agreement by the City of Marlborough and Sepracor Inc. as an instrument under seal as of the date first written above.

SEPRACOR INC.

CITY OF MARLBOROUGH

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date of Signature

Date of Signature

611

Exhibit A
(City Council Resolutions)

612

City of Marlborough Tax Increment Financing Plan

**Sepracor Inc. Corporation
(Alternatively, "Sepracor Inc." or "the Company")**

I. Location

- A. The Tax Increment Financing (TIF) Plan described herein related to property defined as 84/158 Waterford Drive located within the proposed 84/158 Waterford Drive Economic Opportunity Area (EOA) in the City of Marlborough. A map of the proposed EOA is provided in the EOA application.
- B. The aforementioned EOA is located within the City of Marlborough, which is a member community of the Marlborough-Framingham ETA that includes: Ashland, Framingham, Hopkinton, Hudson, Marlborough, Natick, Northborough, and Shrewsbury.
- C. TIF Zone
 - 1. A map of the proposed TIF Zone, which indicates the general location, parcel, property line and building outline, public uses and easements, land use and zoning, and proximity to other projects is attached to the EOA application.
 - 2. The TIF Zone is commonly referred as 84/158 Waterford Drive. The legal description of 84/158 Waterford Drive, or Parcel, appears in the 84/158 Waterford Drive EOA application.
 - 3. The TIF Zone was created so that 84/158 Waterford Drive, originally a greenfield location, could be fully and adequately utilized by Sepracor Inc., a growing company that, in 2001 completed a 192,500 (approximately) lab/office building for its corporate headquarters. Sepracor Inc. is constructing a separate 143,000 building (building 1, as referred to in the TIF Application) to accommodate its growth at 84/158 Waterford Drive in Marlborough. It is anticipated that a second expansion consisting of approximately 72,000 sq. ft. (building 2, as referred to in the TIF Application) will be required in another five years.
 - 4. This expansion project would require a potential total capital investment of approximately \$47 million in two phases. Phase I (Building 1, as referred to in the TIF Application) includes

613

approximately \$30 million of building improvements and the purchase of approximately \$4 million worth of new equipment. The investment for Phase II (Building 2, as referred to in the TIF Application) is estimated at \$17 million.

II. Timeframe

The duration of this TIF Plan is fourteen (14) years.

III. TIF Zone and Economic Development

- A. This expansion project would require a total capital investment of approximately \$47 million in two phases. Phase I (building 1, as referred to in the TIF Application) includes approximately \$30 million of building improvements (new construction) and the purchase of approximately \$4 million worth of “personal property” equipment. The investment for Phase II (building 2, as referred to in the TIF Application) is estimated at \$17 million in current dollars.
- B. As a result of this expansion, Sepracor Inc. will use reasonable commercial efforts consistent with all federal, state and local laws and regulations to open jobs at 84/158 Waterford Drive to qualified residents of Marlborough and then the regional ETA. The new jobs will have a significant multiplier effect on the local economy.
- C. Sepracor Inc. will create approximately 250 new permanent full-time jobs over a fourteen-year period. The jobs are a blend of talent and skills typical of a pharmaceutical company with an estimated average annual salary of \$98,000 (includes national field sales force data).
- D. No change in zoning will be necessary for the 84/Waterford Drive EOA.
- E. There is no hazardous waste on this site. The site complies with Chapter 21E, MGL.
- F. The TIF Zone was originally a greenfield site before the first building was completed in 1999. Sepracor Inc.’s development plans as describe in this plan will continue to enhance the economic vitality of Marlborough’s business community through the creation of jobs within Sepracor and related support, service and supplier jobs.

IV. TIF Zone Projects

- A. Private Projects

6/14

Sepracor Inc. is a research-based pharmaceutical company dedicated to treating and preventing human disease by discovering, developing and commercializing innovative pharmaceutical products that are directed toward serving large and growing markets and unmet medical needs. Our drug development program, together with our corporate development and licensing activities, have yielded a portfolio of pharmaceutical products and candidates with a focus on the treatment of respiratory and central nervous system (CNS) disorders. Our commercialization efforts are carried out by our U.S.-based primary care and specialty-oriented sales force, as well as through out-licensing partnerships.

Sepracor currently commercializes five products in the U.S.: OMNARIS™ (ciclesonide) Nasal Spray; LUNESTA® (eszopiclone) tablets; XOPENEX HFA® (levalbuterol tartrate) Inhalation Aerosol, a hydrofluoroalkane (HFA) metered-dose inhaler (MDI); XOPENEX® (levalbuterol HCl) Inhalation Solution; and BROVANA® (arformoterol tartrate) Inhalation Solution. The company's revenues, including royalties from out-licensing agreements, were more than \$1.2 billion for 2007.

In 2008, Sepracor anticipates launching a new product for the treatment of asthma, ALVESCO® (ciclesonide) Inhalation Aerosol, for which we acquired U.S. distribution rights from Nycomed Gmhb (Nycomed) in early 2008. Sepracor is also preparing a New Drug Application (NDA) for eslicarbazepine acetate, an anti-epileptic compound licensed from Bial-Portela & C^a, S.A., a privately held Portuguese pharmaceutical company, for submission to the U.S. Food and Drug Administration in late 2008/early 2009.

Sepracor has also established out-licensing agreements for intellectual property with: Schering-Plough for CLARINEX® (desloratadine); sanofi-aventis for ALLEGRA® (fexofenadine HCl); and UCB Pharma for XYZAL®/XUSAL™ (levocetirizine).

In 2007 and 2008, Sepracor made significant progress in expanding to worldwide markets. Sepracor is pursuing expansion of the LUNESTA franchise beyond the U.S., and in the second half of 2007, entered into an agreement with Eisai Co. Ltd. for the development and commercialization of eszopiclone in Japan, and in September 2007, entered into an alliance with GlaxoSmithKline for international (excluding the U.S., Canada, Japan and Mexico) development and commercialization of eszopiclone under the brand name LUNIVIA®. In the first half of 2008, Sepracor acquired Oryx Pharmaceuticals Inc., a Canadian company, to create a commercial platform to introduce its products in the Canadian specialty pharmaceutical market.

Sepracor has a pipeline of pharmaceutical candidates in clinical development that are focused principally on the treatment of CNS disorders, including depression, anxiety and schizophrenia. Sepracor deepened its pipeline in 2008 through its

partnership with Nycomed, which provided the company with three additional ciclesonide product candidates in various stages of development. In addition, Sepracor entered into agreements with Arrow International Limited for enabling technology which Sepracor expects to apply to a ciclesonide and BROVANA[®] combination product and the rights to develop and commercialize a levalbuterol/ipratropium inhalation solution combination product that is in Phase II. Sepracor also devotes significant resources to the discovery and development of new chemical entities through its discovery research organization. These novel compounds are anticipated to complement Sepracor's current pharmaceutical pipeline and respiratory portfolio.

Sepracor Inc. currently occupies:

- 192,500 square feet of space in 84 Waterford Drive in Marlborough that currently serves as office and R&D space,
- 77,000 sq. ft. at 111 Locke Drive that currently serves as a training facility
- 58,000 sq. ft. at 33 Locke Drive that currently serves as a chemistry research facility as well as office space and
- 14,000 sq. ft. at 100 Locke Drive currently serving as office space.

The Company's proposed plans consists of two phases. Phase I consists of constructing a 143,000 sq. ft. building at 158 Waterford Drive (referred to as building 1 in the TIF Application) at the 84/158 Waterford Drive EOA in Marlborough. Upon completion of this building, the space at 100 Locke Drive and 25,000 sq. ft. of 33 Locke Drive will be vacated and employees in these buildings will relocate to 158 Waterford Drive. Phase II (referred to as building 2 in the TIF Application) consists of constructing approximately 72,000 square. Both phases would serve to accommodate the strategic growth plans of Sepracor.

This expansion project would require a total capital investment of approximately \$51 million in two phases. Phase I (building 2) includes approximately \$30 million of building improvements (new construction) and the purchase of approximately \$4 million worth of new equipment. The investment for Phase II is estimated at \$17 million (current dollars). The extent of new equipment investments for phase II cannot be anticipated at this time.

Sepracor Inc.'s expansion will retain an estimated 613 jobs and create 250 new permanent full time jobs over a fourteen-year period. This new growth in jobs will have an immediate and long term positive impact on Marlborough's economy as well as the region and the state

In order to make this project financially feasible, it is essential that Sepracor Inc. benefit from the Massachusetts Economic Development Incentive Program

6/16

(EDIP) that includes a state 5% EOA Investment Tax Credit and Tax Increment Financing (TIF) from the City of Marlborough.

Should the project proceed, Sepracor Inc. Corporation expects to occupy the building 2 by the January, 2009 and building 3 approximately five years after building 2 is completed.

B. Public Projects

V. Financing for TIF Project

Sepracor Inc. has financing in place for this project.

VI. Tax Increment Financing

Please refer to TIF Agreement for exemption schedule.

VII. Approval of TIF Projects

Businesses seeking designation as a Certified Project within the proposed EOA will be required to submit a proposal to the Mayor. The TIF Committee shall negotiate an agreement with the proponent of the proposal for property tax relief and recommend to City Council. Marlborough has a City Council form of government which has the final local approval. Once the project is approved by City Council, the Certified Project is presented to the state's Economic Assistance Coordinating Council for final approval.

The Massachusetts Economic Development Incentive Program

6/17

CERTIFIED PROJECT APPLICATION

APPLICANT INFORMATION

1. **Name and address of business(es) submitting this application** (please list fiscal year end for each business):

Sepracor Inc.
84 Waterford Drive
Marlborough, MA 01752

2. **Name and address of project** (if different from above):

3. **Location of ETA:**

84 Waterford Drive
Building 2
Marlborough, MA 01752

4. **Location of EOA:** See plan attached (Attachment 1)

5. **Authorization:** I/We, (print) *Robert F. Scumaci (Executive Vice President and Chief Financial Officer)*, of the business applying for Certified Project designation, hereby certify that the information within this application is true and accurate, and reflects the project's intentions for job creation and investment. I/We understand that the information provided within this application shall be binding for the duration of the project certification.

(Signature)

Robert F. Scumaci
Executive Vice President and Chief Financial Officer

(Date)

6/18

6. Nature and Purpose of Project: Describe briefly the nature and history of the business as well as the specific expansion/growth/relocation plans: the level of new investment (with a breakdown of type of expense: construction, renovation, acquisition of equipment, etc.) and employment levels - both current and projected. Provide time frames for both the projected total investment and job creation. As part of this narrative, please explain why the business is seeking Certified Project designation.

Founded in 1984, Sepracor was originally comprised of several diverse business units. In 1989, we embarked on a strategy of developing single isomers and active metabolites of many of the world's largest selling drugs, with the objective of developing our own proprietary pipeline of pharmaceutical products. Sepracor became a publicly traded corporation in 1991, and we subsequently divested our non-pharmaceutical business units into four different companies, retaining our core pharmaceutical business.

We were initially focused on out-licensing compounds to be developed and marketed by large pharmaceutical companies seeking to enhance their product pipelines. However, based on our development and commercialization success with XOPENEX[®] brand levalbuterol HCl Inhalation Solution, in 2000 we began to focus on developing and marketing our portfolio of primary care-oriented pharmaceutical candidates ourselves. While still maintaining our focus on internal development and commercialization efforts, we recognize that some compounds may be more appropriate as out-licensing candidates, and will continue to explore new strategic collaborations with leading pharmaceutical companies for earlier-stage or non-core assets. As we continue to grow, we expect that we will become increasingly interested in exploring product or business acquisitions, in addition to devoting greater resources to our discovery efforts.

Sepracor has evolved into what is today, a fully integrated pharmaceutical company with the ability to bring products through preclinical and clinical development, U.S. Food and Drug Administration (FDA) approval and into the marketplace. Between Sepracor and our out-licensing partners, we have several successful products currently on the market, including our own proprietary products: LUNESTA[®] brand eszopiclone, which is for the treatment of insomnia; XOPENEX[®] brand levalbuterol HCl Inhalation Solution, which is for the treatment of bronchospasm associated with asthma and chronic obstructive pulmonary disease (COPD); XOPENEX HFA[®] brand levalbuterol tartrate Inhalation Aerosol, which is a hand-held inhaler formulation of XOPENEX, which we commercially launched in late 2005; and BROVANA[™] brand arformoterol tartrate Inhalation Solution, our most recently introduced product, which is a maintenance treatment for COPD, including chronic bronchitis and emphysema. Our total revenues from proprietary products and royalty revenues for 2006 were nearly \$1.2 billion.

By focusing on treatments for respiratory and central nervous system disorders, Sepracor's drug development efforts have yielded a pipeline of pharmaceutical compound candidates that are concentrated in therapeutic areas that we believe are either not addressed or are underserved by currently available pharmacotherapies and which apply to large and growing primary care indications.

Sepracor is seeking Certified Project designation for two buildings (Buildings 2 and 3). The phasing and relevant details for each building are as described below.

For Building 2, we expect that the construction project will cost approximately \$30 million and the personal property investment will be approximately \$4 million. The project did begin in late 2007 with completion in December 2008. We expect this building to be fully occupied five years after completion.

When Building 2 is fully occupied, we expect to proceed with Building 3. We expect Building 3 to cost \$17 million in current dollars. This will be a 72,000 sq. ft. building that is connected to the south end of current headquarters in Marlborough, or Building 1. We expect to proceed with construction in the summer or fall of 2012 with expected completion in late 2013.

6/19

Certified Project Application - Page 2a

We are seeking Certified Project designation for both Buildings 2 and 3 as the financial benefits derived therefrom will help fuel our growth. In spite of Sepracor's first full year of profitability, the firm had not been profitable previously because of its substantial investment in bringing its products to market (a long growth period prior to profitability is common in the pharmaceutical and biotechnology sectors because of the long lead times associated with the research and development of products).

The TIF was not available to Sepracor in 2001 when planning began for building 1, which we currently occupy. Between then and now, Sepracor added approximately 350 jobs. We feel that if we continue with our current business plan, the job growth goals illustrated in the Job Creation Chart will benefit the ETA greatly.

620

7. Is this business new to Massachusetts? Yes No

If no, where are the existing Massachusetts facilities?

84 Waterford Drive, Marlborough, MA

111 Locke Drive, Marlborough, MA

33 Locke Drive, Marlborough, MA

100 Locke Drive, Marlborough, MA

8. Is this project an expansion of an existing business? Yes No

If yes, check the appropriate box:

at existing location

at new location in same municipality

at new location in different municipality

9. Will this project require/trigger the closing or consolidation of any Massachusetts facilities?
 Yes No

If yes, please explain.

Upon the completion of Building 2, approximately 60 employees will vacate 25,000 sq. ft. of leased space at 33 Locke Drive, and 14,000 sq. ft. of leased space at 100 Locke Drive, Marlborough, MA. These employees will not be deemed new employees in connection with the Certified Project.

Sepracor Inc. will continue to lease approximately 33,000 sq. ft. at 33 Locke Drive and continue its chemistry research there. This lease expires in June 2012. At this time we can anticipate that we will extend this lease on its expiration date.

The new Building 2 will have no net effect on employees currently at 111 Locke Drive.

10. Job Creation

In order to qualify for Certified Project status, the governing statute and regulations require the creation of net, new, permanent full-time employees in Massachusetts. On the chart provided (see next page), please fill in the blanks provided. See attached Job Creation Table.

621

11. **Certification for Abandoned Buildings** - Does the proposed project involve the renovation and reuse of an abandoned building? Yes x No Unsure

If yes or unsure, please answer the following questions:

- (a) How long has the building been vacant? (If known, state date)

- (b) During this period of time, what percentage of the building was vacant and
 - (a) the business has the intention and capacity to achieve the anticipated level of new permanent full-time jobs for residents of the municipality/Economic Target Area; and
 - (b) taking into consideration existing economic conditions, the proposed project is likely to succeed in creating and retaining the anticipated level of new permanent full-time jobs for residents of the municipality/Economic Target Area.

12. **Local Employment** – What actions will you take to recruit employees from among residents of the ETA?

Sepracor, as is true for most other firms seeking employment will use organizations such as Monster.com and Hotjobs.com. We also participate in job fairs in the greater Boston region. Print ads are very infrequently used as they are a costly means of recruiting new employees.

Provide any information, documentation, or studies which demonstrate that:

- (a) the business has the intention and capacity to achieve the anticipated level of new permanent full-time jobs for the residents of the municipality/Economic Target area; and
- (b) taking into consideration existing economic conditions, the proposed project is likely to succeed in creating and retaining the anticipated level of new permanent full-time jobs for residents of the municipality/Economic Target Area

We have no documentation or studies to offer. However, given our historic growth over the last several years, including many in which the firm was not yet profitable, the job growth projections we have included in the Job Creation Chart is based upon this historical experience and, the strategic direction of the firm. The jobs created in our industry are less vulnerable to the local and regional economies and are more affected by the national and international economies inherent in our products' markets. We feel this is of high value to the ETA since the employment risk is diversified on a national and international basis.

622

13. **Affirmative Action** - Does the business have an Affirmative Action/Equal Employment Opportunity Plan or Statement? X Yes No

If yes, please attach a copy. Sepracor's Affirmative Action Policy statement is attached (Attachment 2). The policy is approximately 300 pages and as such can be provided

If no, describe the business' hiring policies and practices.

14. **Agreement Between the Business and Area Banks** - Describe briefly the business' local banking relationship(s), if any. Does the institution with which the business banks participate in the Massachusetts Capital Access Program, which is designed to commit a portion of the business' deposits to fund loans to local businesses?

Sepracor uses Bank of America for much of its daily business activities at the corporate level. Given it's size, Sepracor is not in a position to use smaller local banks within Marlborough. However, the credit union that is recommended for new employees is the Digital Credit Union.

15. **Economic Benefits of Project Certification** - Provide a description of the economic benefits that are anticipated for the business and the project, if the project is certified. For example, describe anticipated state and local tax benefits, municipal road or infrastructure improvements, assistance from local job training programs, the impact of local permit streamlining and other benefits anticipated if the project is certified. Also, provide any information, documentation or studies demonstrating any additional benefits (i.e. reduction of blight, reuse of abandoned buildings, clean up of contaminated property, job training, provision of day care, any contributions to the community, etc.) likely to accrue to the area as a result of Certified Project designation.

The Certified Project is on a Greenfield site. We expect the Certified Project to generate additional revenue streams from the personal income tax, sales and use tax, and property tax to be paid by new employees. Significant infrastructure improvements, largely funded by Sepracor (Northborough Goddard Rd. intersection), have already been completed in the initial phase. Since the location is well enough away from the high density areas of the City/Region, it contributes little to the congestion factor normally accompanying large projects. This is of great benefit as road improvements in the surrounding area would be well suited for the additional employees.

623

SPECIAL REQUIREMENTS FOR REAL ESTATE PROJECTS

1. Will the business own or lease/rent the facility? Own Lease/Rent

If leasing/renting, please identify the developer/landlord, and state who will be the taxpayer of record for the purpose of paying local real estate taxes.

If owning, will the business fully occupy the space? Yes No

If no, does the business intend to lease/rent the remaining space? Yes No

2. Describe how the various tax benefits and other economic incentives that will result from Certified Project designation will be allocated among the business(es) developing the project (i.e. a developer or landlord) and the business(es) intending to purchase, lease or rent space at the facility (i.e. tenant or tenants).

Sepracor Inc. will be the sole beneficiary.

SUPPLEMENTAL INFORMATION

1. **Name(s) of the business(es) intending to take advantage of the state tax incentives**

Business Name: Sepracor Inc.
Federal Employer Identification #: 22-2536587
Address: 84 Waterford Drive
Marlborough, MA 01752
Phone: 508-481-6700
Fax: 508-357-7494
Contact Person: John Allam, V.P., Taxation
Type of Organization (check that which applies):

- Corporation: For profit; S Corp.; Non-profit
- Business Trust
- Partnership: General Partnership; Limited Partnership
- Individual

Level of Interest: 5% Investment Tax Credit
 10% Abandoned Building Tax Deduction (if applicable)
 Local real estate tax incentive beneficiary

Certified Project Application - Page 7

624

2nd Business Name (if applicable): N/A

Federal Employer Identification #: _____

Address: _____

Phone: _____

Fax: _____

Contact Person: _____

Type of Organization (check that which applies):

- Corporation For profit; S Corp.; Non-profit
- Business Trust
- Partnership General Partnership; Limited Partnership
- Individual

- Level of Interest:
- 5% Investment Tax Credit
 - 10% Abandoned Building Tax Deduction (if applicable)
 - Local real estate tax incentive beneficiary

***** If there are more than two businesses intending to take advantage of the state tax incentives associated with this project, please provide the above information for all such businesses.**

2. **A -** If a corporation, please list the names and addresses of the officers and directors of said corporation, and any person and/or corporation with a financial interest of five percent or greater in said corporation. **(See Attachment 3)**

B - If a partnership, please list the names and addresses of all partners, and include the proportionate share owned by each partner.

C - If a business trust, please name all members and beneficiaries of said trust.

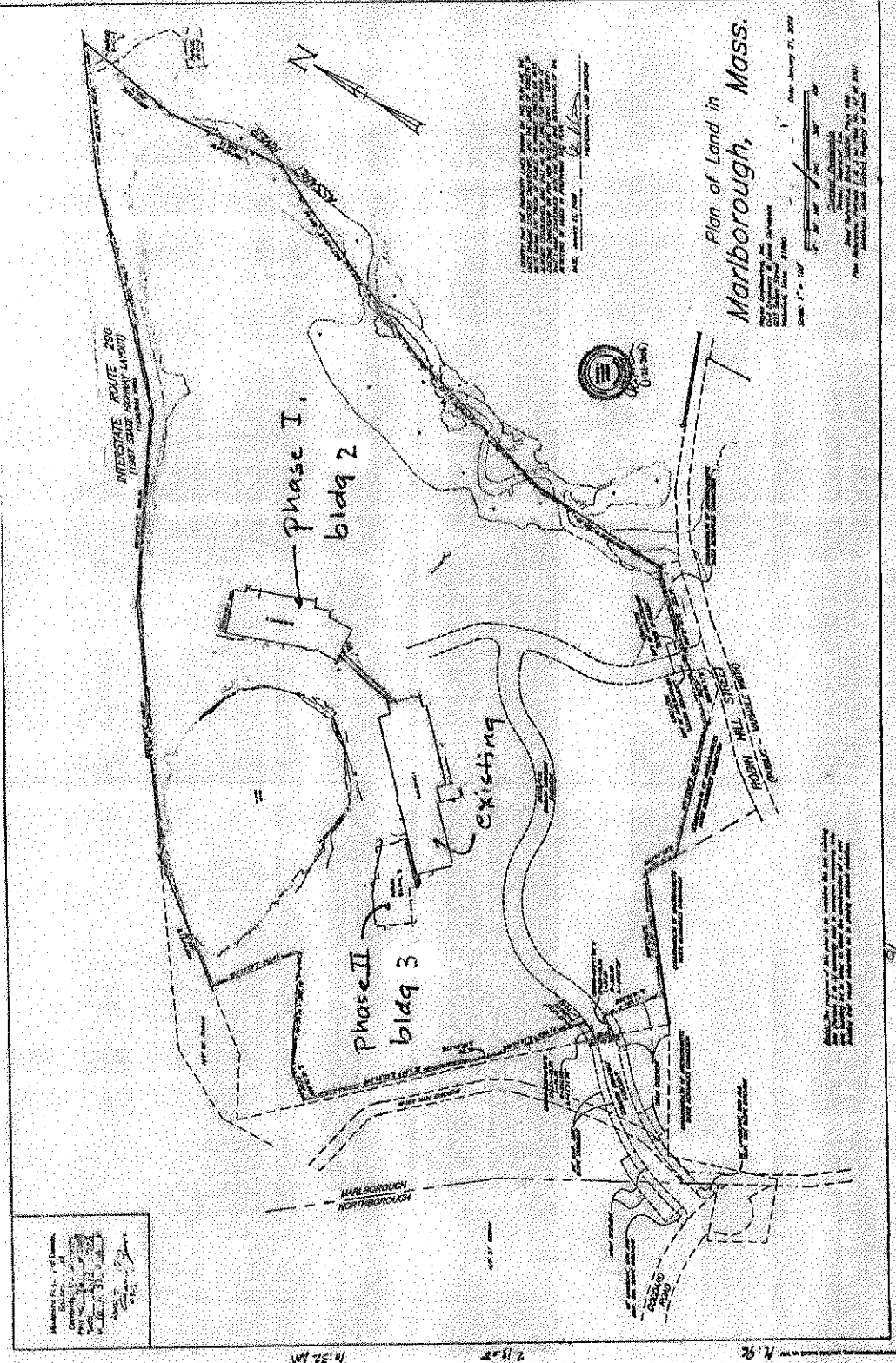
3. **Please provide the name, address, phone number and contact person for any organizations which may own or control the applicant organization, or who are affiliated with the applicant business organization.**

4. **Certificate of Good Standing -** Please provide proof of good tax standing in the Commonwealth of Massachusetts via a Certificate of Good Standing, which is a letter issued by the Massachusetts Department of Revenue. To obtain a copy of a Certificate of Good Standing, please see Attachment I of this application.

ATTACHMENT 1 – Location of EOA

625

626



Modifications by
 B. Iwata
 Sepracor Inc. 9-1-08
 Do Not Scale

Attachment 1 to
 EOA Application for
 Sepracor Inc.
 9-3-08

ATTACHMENT 2 - Sepracor's Affirmative Action Policy

627

628

II. General Information

EQUAL EMPLOYMENT OPPORTUNITY / AFFIRMATIVE ACTION

Sepracor is committed to equal employment opportunity for all employees and applicants without regard to race, color, religion, gender, national origin, age, physical or mental disability, sexual orientation, genetic information or veteran status. Sepracor strives to make all employment decisions based upon job-related criteria and the needs of the organization, its employees, and its clients. Sepracor's policy of equal employment opportunity/affirmative action governs all aspects of employment, including hiring, job assignment, compensation, corrective action, promotion, termination, benefits, training, and all other terms, conditions and privileges of employment.

If you have questions or concerns about any conduct at Sepracor that you think may be discriminatory, please contact your immediate manager, the Human Resources Department or another member of Sepracor management. Employees may raise concerns confidentially, without fear of retaliation, and any concerns/issues will be disclosed on a business need-to-know basis only.

CODE OF CONDUCT AND ETHICS HOTLINE INFORMATION

Sepracor has established a hotline that permits you to openly, confidentially, or anonymously report any violation or suspected violation of the Code of Conduct and Ethics Policy below through the internet, email, or a toll-free telephone number. Information concerning the hotline can be found at the Legal portal of Sepracor's Intranet.

Any such concerns or complaints may also be openly, confidentially, or anonymously communicated directly to any member of the Audit Committee of the Board of Directors, or to Legal Affairs by fax, mail, or e-mail at:

Fax: (508) 357 7511

E-mail: ethics.code@sepracor.com

Mail: Sepracor Inc, Legal Affairs

84 Waterford Drive, Marlborough, MA 01752

All concerns and complaints will be forwarded to the Audit Committee of the Board of Directors, and a complete record of all complaints will be provided to the Audit Committee each fiscal quarter.

The Audit Committee will evaluate the merits of any concerns or complaints received by it and authorize such follow-up actions, if any, as it deems necessary or appropriate to address the substance of the concern or complaint.

CODE OF CONDUCT AND ETHICS POLICY

This Code of Conduct and Ethics (the "Code") sets forth legal and ethical standards of conduct for directors, officers and employees of Sepracor Inc. This Code is intended to deter wrongdoing and to promote the conduct of all Sepracor business in accordance with high standards of integrity and in compliance with all applicable laws, rules, and regulations. This Code applies to all employees, officers, and directors of Sepracor and all of its subsidiaries and other business entities controlled by it worldwide.

If you have any questions regarding this Code or its application to you in any situation, you should contact your supervisor. Any unresolved questions should be referred to Legal Affairs.

ATTACHMENT 3 – Sepracor’s Leadership Team and Board of Directors

629

638

Attachment to TIF (8-27-08)

Sepracor Inc.

Leadership Team

- Adrian Adams
President and Chief Executive Officer
- Mark H.N. Corrigan, M.D.
Executive Vice President, Research and Development
- Mark Iwicki
Executive Vice President and Chief Commercial Officer
- Andrew I. Koven
Executive Vice President, General Counsel and Corporate Secretary
- Richard Ranieri
Executive Vice President, Human Resources and Administration
- Robert F. Scumaci
Executive Vice President and Chief Financial Officer

Board of Directors

- Adrian Adams
President and Chief Executive Officer, Sepracor Inc.
- James G. Andress (Deceased)
Former Chairman, Beecham Pharmaceuticals; Former President and COO, Sterling Drug Inc.
- Timothy J. Barberich
Former Chief Executive Officer, Sepracor Inc.
- Digby W. Barrios
Former President and CEO, Boehringer Ingelheim Corporation
- Robert J. Cresci
Managing Director, Pecks Management Partners Ltd.
- James F. Mrazek
Former Vice President and General Manager, Healthcare Division of Johnson & Johnson Products Inc.
- Lisa Ricciardi
Adjunct Partner, Essex Woodlands Health Ventures
- Timothy J. Rink, MA, MD, ScD
Former Chairman and Chief Executive Officer, Aurora Biosciences, Inc.
- Alan A. Steigrod
Former Executive Vice President, Glaxo Holdings plc

ATTACHMENTS 4 and 5 – Certificates of Good Standing

631

MASSACHUSETTS DEPT. OF REVENUE
P.O. BOX 7066
BOSTON, MA 02204



632

NAVJEET K. BAL, COMMISSIONER
ROBERT O'NEILL, BUREAU CHIEF

SEPRACOR INC
84 WATERFORD DRIVE
MARLBOROUGH, MA 01752

T/P ID 222536587
Date 8/27/2008
Bureau CERTIFICATE

CERTIFICATE OF GOOD STANDING AND/OR TAX COMPLIANCE

The Commissioner of Revenue certifies as of the above date, that the above named individual or entity is in compliance with its tax obligations payable under M.G.L. c. 62C, including corporation excise, sales and use taxes, sales tax on meals, withholding taxes, room occupancy excise and personal income taxes, with the following exceptions.

This Certificate certifies that individual taxpayers are in compliance with income tax obligations and any sales and use taxes, sales tax on meals, withholding taxes, and/or room occupancy taxes related to a sole proprietorship. Persons deemed responsible for the payment of these taxes on behalf of a corporation, partnership or other business entity may not use our automated process to obtain a Certificate.

This Certificate does not certify that the entity's standing as to taxes such as unemployment insurance administered by agencies other than the Department of Revenue, or taxes under any other provisions of law. Taxpayers required to collect or remit the following taxes must submit a separate request to certify compliance: Alcoholic Beverage Excise, Cigarette Excise, Sales Tax on Boats, International Fuels Tax Agreement, Smokeless Tobacco or Ferry Embarkation.

THIS IS NOT A WAIVER OF LIEN ISSUED UNDER GENERAL LAWS, CHAPTER 62C, SECTION 52.

Very truly yours

A handwritten signature in black ink, appearing to read "Robert O'Neill".

Robert O'Neill, Bureau Chief

MASSACHUSETTS DEPT. OF REVENUE
P.O. BOX 7066
BOSTON, MA 02204



633

NAVJEET K. BAL, COMMISSIONER
ROBERT O'NEILL, BUREAU CHIEF

SEPRACOR RESEARCH & DEVELOPMENT
84 WATERFORD DR
MARLBOROUGH, MA 01752

T/P ID 046943039
Date 8/27/2008
Bureau CERTIFICATE

CERTIFICATE OF GOOD STANDING AND/OR TAX COMPLIANCE

The Commissioner of Revenue certifies as of the above date, that the above named individual or entity is in compliance with its tax obligations payable under M.G.L. c. 62C, including corporation excise, sales and use taxes, sales tax on meals, withholding taxes, room occupancy excise and personal income taxes, with the following exceptions.

This Certificate certifies that individual taxpayers are in compliance with income tax obligations and any sales and use taxes, sales tax on meals, withholding taxes, and/or room occupancy taxes related to a sole proprietorship. Persons deemed responsible for the payment of these taxes on behalf of a corporation, partnership or other business entity may not use our automated process to obtain a Certificate.

This Certificate does not certify that the entity's standing as to taxes such as unemployment insurance administered by agencies other than the Department of Revenue, or taxes under any other provisions of law. Taxpayers required to collect or remit the following taxes must submit a separate request to certify compliance: Alcoholic Beverage Excise, Cigarette Excise, Sales Tax on Boats, International Fuels Tax Agreement, Smokeless Tobacco or Ferry Embarkation.

THIS IS NOT A WAIVER OF LIEN ISSUED UNDER GENERAL LAWS, CHAPTER 62C, SECTION 52.

Very truly yours

A handwritten signature in black ink, appearing to read "R. O'Neill", written over a horizontal line.

Robert O'Neill, Bureau Chief

The Massachusetts Economic Development Incentive Program

634

**APPLICATION FOR DESIGNATION
OF ECONOMIC OPPORTUNITY AREA**

PART A: Applicant Information

1. Please check one:

X This is an application for designation of a new EOA within a previously approved ETA.

2. Community submitting this application:

The City of Marlborough

Name of proposed EOA(s):

84/158 Waterford Drive

PART B: MANDATORY REQUIREMENTS FOR THE PROPOSED EOA

1. Location of Proposed EOA(s):

Provide a detailed map of each proposed EOA, indicating the existing streets, highways, waterways, natural boundaries, and other physical features, along with a legally binding written description of the EOA boundaries (with parcel numbers if appropriate). If the written description is longer than one paragraph, please submit on 3 1/2" computer disk.

Reference is made to the City of Marlborough's Assessor's parcel ID Nos. 0063-0001, 0063-006-001 and 0063-0006-0002 . Reference is also made to a recording in the Southern Middlesex Registry of Deeds, Plan 96, Book 2008, page 96. The Plan, as modified to show the proposed construction, is attached.

2. Description of EOA(s):

Describe why each proposed EOA was chosen for designation. Include a brief, descriptive narrative of each area which helps to explain the particular situations, issues, or reasons why EOA designation is requested.

The EOA property consists of approximately 56.74 acres bounded by I-290, the Assabet River, an adjacent property in the town limits of Northborough, Waterford Drive and Robin Hill Street in Marlborough. It is described legally in the Commonwealth of Massachusetts, Southern Middlesex Registry of Deeds, Plan 96, Book 2008, page 96. The

land and an existing 192,500 sq. ft. laboratory/office building are owned by Sepracor Inc. This expansion project consists of phase I (building 2) which is the construction of a 143,000 sq. ft. office building and phase II (building 2), a 72,000 sq. ft. office building.

635

3. **Basis for EOA Designation:** Check the applicable category or categories (see definitions in attachment at back of application) for each proposed EOA:

X The area proposed for designation as an EOA is a "blighted open area."

The area proposed for designation as an EOA is a "decadent area."

The area proposed for designation as an EOA is a "substandard area."

The area proposed for designation as an EOA has experienced a plant closing or permanent layoffs resulting in a cumulative job loss of 2,000 or more full-time employees within the four years prior to the date of filing this application.

When the original application was filed in 2001, the area was designated as a "blighted open area". Since then, Sepracor Inc. purchased the land from the original developer along with the "build to suit" building that Sepracor currently occupies. The remaining land area upon which the second building (designated as phase I, building 1 in the TIF Application) and the third building (designated as phase II, building 2 in the TIF Application) can be categorized similarly.

4. **Effective Time Period for EOA Designation:** How long do you propose to maintain the EOA designation? The EOA designation may remain in effect for a minimum of five (5) years and a maximum of twenty (20) years.

The Economic Opportunity Area designation will be effective from the date approved by the EACC through the fourteen year duration described in the TIF Financing Plan/Agreement with the City of Marlborough.

5. **Local Criteria for Designation of EOAs:** Describe how each proposed EOA meets your criteria for designation of EOAs, as specified in your application for designation of the ETA.

1. **EOAs must be locally designated with the approval of the Mayor and City Council.**

2. **EOAs must meet any and all requirements promulgated by the state Economic Assistance Coordinating Council.**

3. **Applications for EOAs must be submitted to the state Economic Assistance Coordinating Council by the Mayor and City Council and reviewed by the Regional Economic Development Administration.**

4. **Such applications must identify one or more of the Regional Economic Development Goals and how the EOA will contribute to the achievement of that goal.**

636

5. EOAs must be comprised of land that is appropriate for economic development.

6. **Economic Development Goals:** Describe the economic development goals for each proposed EOA during the first five years of EOA designation.

The City of Marlborough has identified an area zoned as limited industrial for designation as the 84/158 Waterford Drive EOA. As stated in the original application designating the Marlborough-Framingham ETA, "the concept of a regional ETA is designed to foster intermunicipal cooperation among the municipalities, while permitting each to identify and act upon its unique local economic development needs." The City of Marlborough has adopted the following overall goals of the Marlborough-Framingham ETA:

1. Utilization of existing blighted/decadent industrial buildings or sites.
2. Creation of jobs in the manufacturing sector.
3. Creation of jobs in the telecommunications and environmental industries.
4. Promotion and protection of the downtown in each community.
5. Carefully planned enhancement of the local and regional transportation network.

While Sepracor does not participate in the manufacturing, telecommunications or environmental industries, the EOA and the jobs Sepracor will create are in alignment with the economic goals of the City of Marlborough and the ETA. The original greenfield site at Waterford afforded Sepracor the opportunity to expand from their then current base in 1998 of approximately 100,000 sq. ft. on Locke Drive in Marlborough. The current building consisting of 192,000 sq. ft. of lab and office building was completed in 1999 at 84 Waterford Drive. This EOA application is seeks designation as an EOA for this site and the construction of a second building consisting of approximately 143,000 sq. ft. (described as building 1 in the TIF Application) and a potential addition (described as building 2 in the TIF application) consisting of approximately 72,000 sq. ft.

During the first five years, Sepracor plans to create 125 jobs. We expect that the creation of these jobs will stimulate the local economy through the creation of service and support jobs that service this permanent base. Additionally, goods and services that support the employees and the building will increase the level of local and regional commerce.

- **Creation of jobs:**
Sepracor will retain 619 jobs and create 250 new permanent full time jobs (over a fourteen year period) as a result of the phased expansion. The Company will use reasonable commercial efforts consistent with all federal, state and local laws and regulations to open jobs at 84/158 Waterford Drive in Marlborough to qualified residents of Marlborough and then the ETA region.

637

- 7. **Local Services:** Describe the manner and extent to which the municipality intends to provide for an increase in the efficiency of the delivery of local services within the proposed EOA(s) (i.e. streamlining permit application and approval procedures, increasing the level of services to meet new demand, changing management structure for service delivery).

The City of Marlborough implements an expedited permit review process. The review is coordinated by the City's Administrative Site Plan Review Committee, through the Director of Planning, which includes the Building Inspector/Zoning Enforcement Officer, the Police and Fire Chiefs, the City Engineer, as well as other staff professionals whose input may be required.

The City of Marlborough does not anticipate an increase in service demand and will provide typical municipal services such as water, sewer and electric connections.

- 8. **Compliance with Community Reinvestment Act:** Include a copy of a municipal plan or policy, if any exists, which links the municipality's choice of banking institutions to the bank's compliance with the requirements of the Community Reinvestment Act.

The City of Marlborough requires documented compliance with the Community Reinvestment Act for institutions providing municipal banking services, and will require that applicants for project certification attach a copy of their most recent bank(s) CRA statement to their applications.

- 9. **Project Approval:**

- (a) Identify the municipal official or group/board which shall be authorized to review project proposals for and on behalf of the municipality.

The Mayor and City Council shall be authorized to review and approve project proposals for and on behalf of City of Marlborough. There is a TIF Committee that makes recommendations to the City Council. It is comprised of but not limited to: the Mayor, the City Solicitor, the City Assessor, and a member of the City Council.

- (b) Indicate the standards and procedures for review of project proposals, including the application procedures, the timeframe for review and determination, and the criteria and process for approval of project proposals. If you intend to use supplemental application material (i.e. municipal cover letter with instructions, job commitment signoff sheet, supplemental questions to be required by the municipality, etc.), it must be mentioned here and must be approved by the Economic Assistance Coordinating Council (EACC). Please attach (if appropriate).

Businesses seeking designation as a Certified Project within the proposed EOA will be required to submit a proposal to the Mayor. The TIF Committee shall negotiate an agreement with the proponent of the proposal for property tax relief and recommend to City Council. Marlborough has a City Council form of government which has the final local approval. Once the project is approved by City Council, the Certified Project is presented to the state's Economic Assistance Coordinating Council for final approval.

- 10. **Intent of Businesses to Locate in EOA:**

Identify the names and the nature of businesses, if any that have indicated an intention to locate or expand in the proposed EOA(s). If possible, include letters of intent from the businesses, outlining the number of jobs that would likely be created and providing a timetable for development of the projects.

638

Sepracor Inc. is a research-based pharmaceutical company dedicated to treating and preventing human disease by discovering, developing and commercializing innovative pharmaceutical products that are directed toward serving large and growing markets and unmet medical needs. Our drug development program, together with our corporate development and licensing activities, have yielded a portfolio of pharmaceutical products and candidates with a focus on the treatment of respiratory and central nervous system (CNS) disorders. Our commercialization efforts are carried out by our U.S.-based primary care and specialty-oriented sales force, as well as through out-licensing partnerships.

Sepracor currently commercializes five products in the U.S.: OMNARISTTM (ciclesonide) Nasal Spray; LUNESTA[®] (eszopiclone) tablets; XOPENEX HFA[®] (levalbuterol tartrate) Inhalation Aerosol, a hydrofluoroalkane (HFA) metered-dose inhaler (MDI); XOPENEX[®] (levalbuterol HCl) Inhalation Solution; and BROVANA[®] (arformoterol tartrate) Inhalation Solution. The company's revenues, including royalties from out-licensing agreements, were more than \$1.2 billion for 2007.

In 2008, Sepracor anticipates launching a new product for the treatment of asthma, ALVESCO[®] (ciclesonide) Inhalation Aerosol, for which we acquired U.S. distribution rights from Nycomed Gmhb (Nycomed) in early 2008. Sepracor is also preparing a New Drug Application (NDA) for eslicarbazepine acetate, an anti-epileptic compound licensed from Bial-Portela & C^a, S.A., a privately held Portuguese pharmaceutical company, for submission to the U.S. Food and Drug Administration in late 2008/early 2009.

Sepracor has also established out-licensing agreements for intellectual property with: Schering-Plough for CLARINEX[®] (desloratadine); sanofi-aventis for ALLEGRA[®] (fexofenadine HCl); and UCB Pharma for XYZAL[®]/XUSALTM (levocetirizine).

In 2007 and 2008, Sepracor made significant progress in expanding to worldwide markets. Sepracor is pursuing expansion of the LUNESTA franchise beyond the U.S., and in the second half of 2007, entered into an agreement with Eisai Co. Ltd. for the development and commercialization of eszopiclone in Japan, and in September 2007, entered into an alliance with GlaxoSmithKline for international (excluding the U.S., Canada, Japan and Mexico) development and commercialization of eszopiclone under the brand name LUNIVIA[®]. In the first half of 2008, Sepracor acquired Oryx Pharmaceuticals Inc., a Canadian company, to create a commercial platform to introduce its products in the Canadian specialty pharmaceutical market.

Sepracor has a pipeline of pharmaceutical candidates in clinical development that are focused principally on the treatment of CNS disorders, including depression, anxiety and schizophrenia. Sepracor deepened its pipeline in 2008 through its partnership with Nycomed, which provided the company with three additional ciclesonide product candidates in various stages of development. In addition,

639

Sepracor entered into agreements with Arrow International Limited for enabling technology which Sepracor expects to apply to a ciclesonide and BROVANA[®] combination product and the rights to develop and commercialize a levalbuterol/ipratropium inhalation solution combination product that is in Phase II. Sepracor also devotes significant resources to the discovery and development of new chemical entities through its discovery research organization. These novel compounds are anticipated to complement Sepracor's current pharmaceutical pipeline and respiratory portfolio.

Sepracor currently occupies 192,500 square feet of space on Waterford Drive, and another 149,000 sq. ft. on Locke Drive in Marlborough that currently serves as office, R&D-. As a result of consistent growth and in order to become more competitive in the healthcare industry, the Company needs to expand. After conducting an extensive site search throughout Massachusetts, Sepracor has identified an abandoned building in Marlborough that will accommodate their manufacturing requirements. This expansion project is planned in two Phases. Phase I: Sepracor plans to lease approximately 145,527 square feet of space at 84/158 Waterford Drive. This expansion would require a capital investment of approximately \$24 million: \$14 million in building improvements and \$8 million for new machinery and equipment. Phase II: Sepracor plans to lease the remainder of the building, approximately 38,076 square feet, of which the Company has an option to lease. The investment for Phase II is estimated at \$2 million.

Sepracor has enjoyed more than two decades of growth in Massachusetts and anticipates that the expansion will retain the estimated 619 permanent full-time jobs in the City and create 250 new permanent full time jobs at 84/158 Waterford Drive in the next ten years. Should the project proceed, Sepracor expects to occupy building 1 by the 1st quarter of 2009 and building 2 approximately five years later..

640

PART C: SPECIAL REQUIREMENTS FOR LARGE MUNICIPALITIES

This section must be completed by any municipality or member of a regional ETA with a population that exceeds fifty thousand (50,000) people. The population threshold should be calculated based on the most recent statistics available from the U.S. Bureau of the Census.

1. Permit Streamlining:

(a) List each officer, board, commission or other decision-making authority in the municipality that issues permits, approvals, and licenses and indicate the type of permit, approval or license issued by each authority.

City Council - Special Permits

Zoning Board of Appeals - Zoning Variances

Planning Board - Subdivisions

Conservation Commission - Wetlands Construction

Board of Health - Food Service, Residential

License Commission - Liquor, Used Cars, Automatic Amusements

Building Inspector - Building, Occupancy

Wiring Inspector - Wiring

Plumbing Inspector - Plumbing

Department of Public Works - Street Openings, Water and Sewer Connections

Police Chief - Sunday Openings

Fire Chief - Blasting, Burning

Special Permit

(b) Provide a proposal and plan to streamline the municipality's permit, approval and license procedures. The plan should reduce the number of steps required to obtain approvals for new development. For example, the municipality could combine two separate application forms into one form, provide for joint review by two or more decision making authorities, and set firm deadlines for final decisions on permits, approvals, or licenses.

If the municipality has already implemented a plan to streamline the permit and approval process, describe that plan, indicating the strengths and weaknesses of the plan and provide a revised plan to improve upon the weaknesses.

The City of Marlborough implements an expedited permit review process. The review is coordinated by the City's Administrative Site Plan Review Committee, through the Director of Planning, which includes the Building Inspector/Zoning Enforcement Officer, the Police and Fire Chiefs, the City Engineer, as well as other staff professionals whose input may be required. This committee meets with an applicant's development team to review a project in its entirety. This process has reduced the time required to obtain any and all development permits from the City.

641

2. **Municipal Services in Proposed EOAs:**

(a) Provide an analysis of the existing infrastructure support and municipal services, including transportation access, water and sewer hook-ups, lighting, and fire and police protection to and for certified projects within the proposed EOA(s). Indicate if the existing level of services and infrastructure is adequate to support the anticipated development in the proposed EOA(s).

84/158 Waterford Drive is serviced by all municipal utilities such as public water, sewer, municipal power and natural gas. All of these utilities have sufficient capacity to adequately support the anticipated development.

(b) Provide a proposal for meeting additional demand for municipal services and infrastructure improvement, including costs and funding sources available for these improvements.

There is no basis to assume that additional municipal services would be required for this project. The existing infrastructure is sufficient and the project location is well serviced by the City of Marlborough Police and Fire Department.

3. **Job Training Programs:**

Describe the municipality's plans to secure access to publicly or privately sponsored training programs for employees of certified projects and for residents of the municipality/ETA.

The Metro South/West Regional Employment Board is an advocate in the development of appropriate job training programs for the business community.

4. **Local Community Involvement:**

Describe the municipality's plans to increase the level of private sector involvement and the level of involvement by community development organizations in the economic revitalization of the area proposed for designation. For example, local involvement could include commitments from private persons to provide jobs and job training to residents or to employees who for certified projects in the proposed EOA(s).

The City is prepared to work closely with Sepracor to develop job training opportunities. These efforts will ensure that the 84/158 Waterford Drive EOA designation will benefit the residents of the regional ETA. The City of Marlborough is actively working the Greater Marlborough Chamber of Commerce and the 2010 Corporation on formulating business retention efforts and enhancing economic development opportunities within the regional ETA. The I-495 MetroWest Corridor Partnership will assist Marlborough with their retention and attractions efforts by providing solutions to infrastructure issues and by enhancing the quality of life within the ETA.

642

PART D: COMMITMENT TO PROVIDE LOCAL PROPERTY TAX RELIEF

The municipality completing this application must provide a **binding written offer** to provide either tax increment financing or a special tax assessment to each certified project located within the proposed EOA(s).

Please attach a copy of the municipality's binding written offer.

- In cities, this shall be in the form of a City Council Order or Resolution, along with a Certified Vote by the City Clerk.
- In towns with Town Meeting form of government, this shall be in the form of a Town Meeting Motion, along with a Certified Vote by the Town Clerk.
- In towns with Town Council form of government, this shall be in the form of a Town Council Order or Resolution, along with a Certified Vote by the Town Clerk.

ATTACHMENT

643

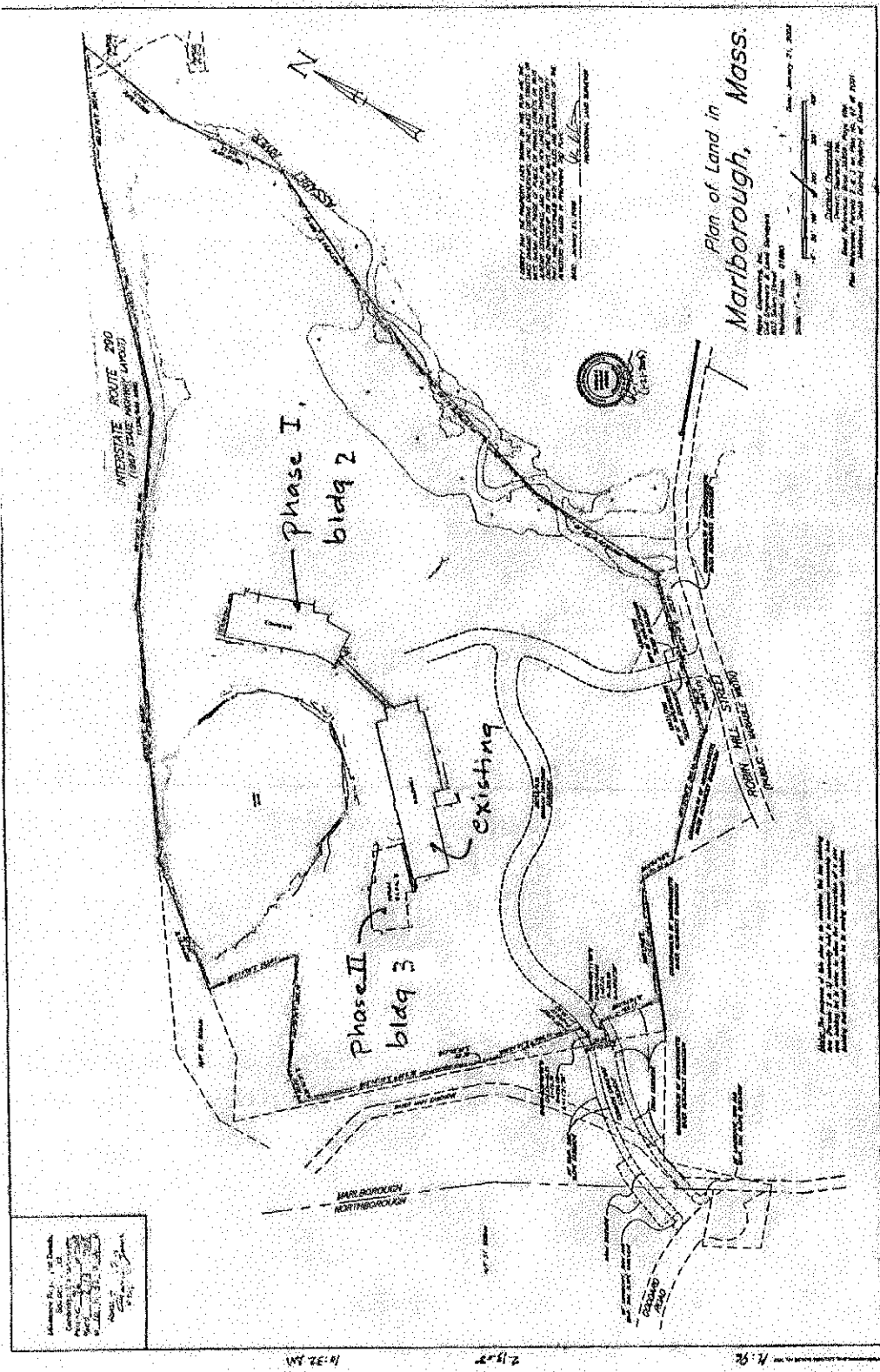
DEFINITIONS, as specified in 402 CMR 2.03:

Blighted Open Area - a predominantly open area which is detrimental to the safety, health, welfare or sound growth of a community and which is predominantly open because it is unduly costly to develop it soundly through the ordinary operations of private enterprise. Factors which might make an area unduly expensive to develop include, but are not limited to, existence of hazardous materials or other contaminants; existence of ledge, rock, unsuitable soil, or other physical conditions; need for unduly expensive excavation, fill or grading; need for unduly expensive foundations or retaining walls, need for unduly expensive waterproofing, drainage or flood prevention measures; need for unduly expensive measures to protect adjacent areas and the water tables therein; need for unduly expensive measures incident to building around or over rights-of-way through the area; existence of obsolete, inappropriate or otherwise faulty platting or subdividing; deterioration of site improvements or facilities; division of the area rights-of-way; diversity of ownership; inadequate transportation facilities; inadequate utility systems; tax and special assessment delinquencies; a substantial change in business or economic conditions or practices; an abandonment or cessation of work begun on improvements; any combination of the above; or any other condition or conditions which are detrimental to the safety, health, or sound growth of a community.

Decadent Area - an area which is detrimental to safety, health, welfare or sound growth of a community because of the existence of buildings which are out of repair, physically deteriorated, unfit for human habitation, obsolete, or in need of major maintenance or repair; or because much of the real estate in recent years has been sold or taken for non-payment of taxes or upon foreclosure of mortgages; or because buildings have been torn down and not replaced and in which under existing conditions it is improbable that the buildings will be replaced; or because of a substantial change in business or economic conditions; or because of inadequate light, air, or open space; or because of excessive land coverage; or because diversity of ownership, irregular lot sizes, or obsolete street patterns make it improbable that the area will be redeveloped by the ordinary operations of private enterprise; or by reason of any combination of the foregoing conditions.

Substandard Area - an area wherein dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, welfare or sound growth of a community.

644



Modifications by
 B. Iwata
 Sepracor Inc. 9-1-08
 Do Not Scale

Attachment 1 to
 EOA Application for
 Sepracor Inc.
 9-3-08

645

RESOLUTION:

WHEREAS, the City Council of the City of Marlborough strongly supports increased economic development to provide additional jobs for qualified residents of the City and the Marlborough-Framingham Regional Economic Target Area (“ETA”), to expand commercial and industrial activity within the City, and to promote and develop a healthy economy and stronger tax base; and

WHEREAS, the City of Marlborough is a part of the regional ETA; and

WHEREAS, the City Council of the City of Marlborough supports and endorses the economic development goals for the Economic Target Area; and

WHEREAS, the City Council of the City of Marlborough desires a beneficial economic use creating jobs for local residents and increasing light industrial activity for Map 63, Parcels 1 and 6 (Lots 1 and 2) on the Marlborough Assessors Map; and

WHEREAS, the City Council of the City of Marlborough desires that the area be designated as the 84/158 Waterford Drive Economic Opportunity Area; and

WHEREAS, the City Council of the City of Marlborough finds that the proposed 84/158 Waterford Drive Economic Opportunity Area meets the criteria for economic goals by creating jobs; and

WHEREAS, the City Council of the City of Marlborough finds that the proposed 84/158 Waterford Drive Economic Opportunity Area meets the local criteria set forth in the Economic Target Area application; and

WHEREAS, the City Council of the City of Marlborough further supports and endorses the economic development goals contained in the Economic Opportunity Area application; and

WHEREAS, the City Council intends to use tax increment financing or special tax assessment economic development tools created by the Massachusetts Economic Development Incentive Program based on the ability of the City of Marlborough, in accordance with needs and community benefits of a specific project, that are reasonably proportional to the economic development incentives from State and local government and the resulting economic development benefits;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Marlborough that the following activities which are necessary to pursue an application for an Economic Opportunity Area designation in the City of Marlborough be authorized:

1. The City Council of the City of Marlborough hereby authorizes the submission of the 84/158 Waterford Drive Economic Opportunity Area application (attached hereto as Exhibit 1) to the Massachusetts Economic Assistance Coordinating Council;
2. The 84/158 Waterford Drive Economic Opportunity Area is defined to be Map 63, Parcels 1 and 6 (Lots 1 and 2) on the Marlborough Assessors Map;
3. The City Council of the City of Marlborough hereby requests that the Massachusetts Economic Development Incentive Board approve Sepracor Inc.’s application for a “Certified Project;” and
4. The City Council of the City of Marlborough agrees to authorize the use of tax increment financing (attached hereto as Exhibit 2) for the Sepracor Inc. Certified Project located within said Economic Opportunity Area.

<u>Building #2</u>	<u>FISCAL YEAR</u>	<u>EST TAX RATE</u>	<u>PROJECT VALUE</u>	<u>SEPRACOR BLDG #2</u> <u>PERCENT EXEMPT</u>	<u>TIF VALUE</u>	<u>TIF WORKSHEET</u> <u>TAXABLE VALUE</u>	<u>TAXES W/TIF</u>	<u>TAXES NOTIF</u>	<u>TIF SAVINGS</u>
	2009	25.01	1,000,000	100%	1,000,000	0	0	25,010	25,010
	2010	25.01	30,000,000	70%	21,000,000	9,000,000	225,090	750,300	525,210
	2011	25.01	30,000,000	60%	18,000,000	12,000,000	300,120	750,300	450,180
	2012	25.01	30,000,000	50%	15,000,000	15,000,000	375,150	750,300	375,150
	2013	25.01	30,000,000	40%	12,000,000	18,000,000	450,180	750,300	300,120
	2014	25.01	30,000,000	30%	9,000,000	21,000,000	525,210	750,300	225,090
	2015	25.01	30,000,000	20%	6,000,000	24,000,000	600,240	750,300	150,060
	2016	25.01	30,000,000	20%	6,000,000	24,000,000	600,240	750,300	150,060
	2017	25.01	30,000,000	20%	6,000,000	24,000,000	600,240	750,300	150,060
	2018	25.01	30,000,000	10%	3,000,000	27,000,000	675,270	750,300	75,030
					TOTALS		4,351,740	6,777,710	2,425,970

<u>Building #3</u>	<u>FISCAL YEAR</u>	<u>EST TAX RATE</u>	<u>PROJECT VALUE</u>	<u>SEPRACOR BLDG #3</u> <u>PERCENT EXEMPT</u>	<u>TIF VALUE</u>	<u>TIF WORKSHEET</u> <u>TAXABLE VALUE</u>	<u>TAXES W/TIF</u>	<u>TAXES NOTIF</u>	<u>TIF SAVINGS</u>
	2009	25.01	17,000,000	100%	17,000,000	0	0	425,170	425,170
	2010	25.01	17,000,000	100%	10,200,000	6,800,000	170,068	425,170	255,102
	2011	25.01	17,000,000	100%	8,500,000	8,500,000	212,585	425,170	212,585
	2012	25.01	17,000,000	100%	6,800,000	10,200,000	255,102	425,170	170,068
	2013	25.01	17,000,000	100%	5,100,000	11,900,000	297,619	425,170	127,551
	2014	25.01	17,000,000	60%	3,400,000	13,600,000	340,136	425,170	85,034
	2015	25.01	17,000,000	50%	1,700,000	15,300,000	382,653	425,170	42,517
	2016	25.01	17,000,000	40%	1,700,000	15,300,000	382,653	425,170	42,517
	2017	25.01	17,000,000	30%	1,700,000	15,300,000	382,653	425,170	42,517
	2018	25.01	17,000,000	10%	1,700,000	15,300,000	382,653	425,170	42,517
	2019	25.01	17,000,000	10%	1,700,000	15,300,000	382,653	425,170	42,517
	2020	25.01	17,000,000	10%	1,700,000	15,300,000	382,653	425,170	42,517
	2021	25.01	17,000,000	10%	1,700,000	15,300,000	382,653	425,170	42,517
	2022	25.01	17,000,000	10%	1,700,000	15,300,000	382,653	425,170	42,517
					TOTALS		2,423,469	3,826,530	1,403,061

646

WORK FORCE ANALYSIS AND JOB CREATION PLAN

	CURRENT EMPLOYMENT LEVEL	JOBs, if any to be relocated from another MA facility	TOTAL, Projected New Permanent Jobs	New Jobs: Year One (2009)	New Jobs: Year Two (2010)	New Jobs: Year Three (2011)	New Jobs: Year Four (2012)	New Jobs: Year Five (2013)	New Jobs: Years 6-14 (2014-2022) If Applicable
Total Employees at Certified Project Facility in Mass.	613		250	25	25	25	25	25	125
Total Employees in Massachusetts at other sites.	Figure above includes employees at Locke Drive								
# of Employees at Certified Project Location who live in the ETA of the Certified Project	155								
# of Permanent Full-Time Employees	613		250	25	25	25	25	25	125
# of Permanent Part-Time Employees	1								
# of Temporary Full-Time Employees	83		83	83	83	83	83	83	83
# of Temporary Part-Time Employees	22								
<p>JOBS BY CLASSIFICATION (List # of Jobs, and Average Wage/Salary. Please feel free to use your company's classification system)</p>									
# of Management Positions	355								
# of Professional Positions	256								
# of Technical Positions	0								
# of Skilled Positions	0								
# of Unskilled Positions	0								
<p>0 Specific jobs by classification in the future years is expected to be in the same proportion as the base year.</p>									

647